



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
2008**

CONTENTS

Condensed Consolidated Income Statement	2
Condensed Consolidated Balance Sheet	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Cash Flow Statement	5
Notes to the Condensed Consolidated Financial Statements	6
Management Discussion and Analysis	17
Additional Information	24
Corporate Information	28

The Board of Directors (the "Board") of Wang Sing International Holdings Group Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 which has not been audited but has been reviewed by the Audit Committee together with the comparative figures in 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	NOTES	Six months ended 30 June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Turnover	3	104,030	95,388
Cost of sales		(100,990)	(87,171)
Gross profit		3,040	8,217
Other income		7,036	8,483
Distribution costs		(6,805)	(9,646)
Administrative expenses		(17,988)	(14,405)
Allowance for trade receivables		–	(2,259)
Gain on disposal of investment in SBW Technische Gerate GmbH ("SBW")		–	1,678
Other expenses		(48)	(5)
Finance costs	4	(4,801)	(4,521)
Loss before taxation		(19,566)	(12,458)
Income tax expense	5	–	(12)
Loss for the period	6	(19,566)	(12,470)
Loss per share			
– Basic (HK cents)	8	(4.0)	(3.3)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	137,216	131,401
Prepaid lease payments		943	950
Intangible assets		3,322	2,679
		141,481	135,030
Current assets			
Inventories		21,388	19,308
Trade and other receivables	10	68,208	89,404
Deposits and prepayments		6,554	41,094
Prepaid lease payments		130	121
Pledged bank deposits		11,288	–
Cash and cash equivalents		46,494	28,215
		154,062	178,142
Current liabilities			
Trade and other payables	11	80,248	73,894
Deposits and accrued expenses		4,312	4,582
Bank borrowings	12	73,758	119,997
Amounts due to a director	13	19,345	–
Other borrowings		17,061	–
		194,724	198,473
Net current liabilities		(40,662)	(20,331)
Total assets less current liabilities		100,819	114,699
Capital and reserves			
Share capital	14	49,497	49,497
Reserves		22,887	35,361
Total equity		72,384	84,858
Non-current liabilities			
Amounts due to a director	13	28,435	19,162
Other borrowings		–	10,679
		28,435	29,841
		100,819	114,699

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 (unaudited)

	Share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	49,497	164,075	139	800	11,536	710	(141,899)	84,858
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	4,504	-	-	4,504
Recognition of equity – settled share based payments	-	-	2,588	-	-	-	-	2,588
Loss for the period	-	-	-	-	-	-	(19,566)	(19,566)
Total recognised income and expense for the period	-	-	2,588	-	4,504	-	(19,566)	(12,474)
At 30 June 2008	49,497	164,075	2,727	800	16,040	710	(161,465)	72,384

For the six months ended 30 June 2007 (unaudited)

	Share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2007	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
Recognition of equity – settled share based payments	-	-	70	-	-	-	14	84
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 2008

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	48,549	37,769
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,066)	(2,919)
Purchase of intangible assets	(1,289)	(2,439)
Increase in prepaid lease payments	–	(435)
Interest received from banks	223	71
Proceeds from disposals of an associate	–	1,678
NET CASH USED IN INVESTING ACTIVITIES	(2,132)	(4,044)
FINANCING ACTIVITIES		
Net bank borrowings raised	72,450	35,828
Repayment of shareholder's loan to an associate	–	10,081
Increase in amounts due to a director	35,250	10,622
Repayment to a director	(7,711)	–
Increase in other borrowings	5,687	–
Repayment of bank borrowings	(119,997)	(83,655)
Increases in pledged bank deposits	(11,288)	(15,392)
Interest paid	(3,117)	(4,521)
NET CASH USED IN FINANCING ACTIVITIES	(28,726)	(47,037)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,691	(13,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	28,215	17,460
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	588	50
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	46,494	4,198
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	46,494	4,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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".

This Interim Report should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2007.

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 2007, as described in the annual accounts for the year ended 31 December 2007.

In the current year, the Group has applied, for the first time, the following new standards, amendments, and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of these new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in Foreign Operation ⁴

¹ Effective for accounting periods beginning on or after 1 January 2009

² Effective for accounting periods beginning on or after 1 July 2009

³ Effective for accounting periods beginning on or after 1 July 2008

⁴ Effective for accounting periods beginning on or after 1 October 2008

2. PRINCIPAL ACCOUNTING POLICIES – continued

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors anticipate that the application of the other new or revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

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	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Europe	81,207	90,696
Australia	1,753	1,256
Other continents	21,070	3,436
Total	104,030	95,388
Segment results		
Europe	2,371	7,649
Australia	164	344
Other continents	505	224
Total	3,040	8,217
Unallocated corporate income	7,036	10,161
Unallocated corporate expenses	(24,841)	(26,315)
Finance costs	(4,801)	(4,521)
Loss before tax	(19,566)	(12,458)
Income tax expense	–	(12)
Loss for the period	(19,566)	(12,470)

4. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	3,117	4,521
Other borrowings	594	–
Amount due to a director	1,090	–
	<hr/>	<hr/>
	4,801	4,521
	<hr/>	<hr/>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for People's Republic of China ("PRC") income tax	<hr/>	<hr/>
	–	12
	<hr/>	<hr/>

No provision for PRC income tax has been made in the consolidated financial statements as all of the PRC subsidiaries incurred tax losses for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% of certain PRC subsidiaries of the Company from 1 January 2008 onwards.

In accordance with the tax legislations applicable to foreign investment enterprises, certain subsidiaries in the PRC are entitled to exemptions from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC income tax for the following three years. According to the New Law, the tax benefit will commence in 2008 and expire in the year end 2012.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12, dated 18 October 1999, a subsidiary of the Company, Gerrards (Commercial Offshore de Macau) Ltd., is exempted from Macao Complementary Tax. There is no provision in the relevant law and regulations on the duration of such exemption. Accordingly, no provision for the relevant income tax in Macau has been made in the consolidated financial statements.

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	
2008	2007
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Loss for the period has been arrived at after charging (crediting) the following items:

Depreciation of property, plant and equipment	7,050	6,898
Amortisation of intangible assets	778	829
Amortisation of prepaid lease payments	65	10
Reversal of impairment loss for amount due from SBW	(2,614)	(5,014)

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period. (For the six months ended 30 June 2007: 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\$19,566,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$12,470,000) and on 494,970,000 shares (six months ended 30 June 2007: 374,640,000 shares) in issue during the period. The computation of diluted loss per share for the six months ended 30 June 2008 and 2007 does not assume the exercise of potential shares as their exercise would result in reduction in loss per share for the six months ended 30 June 2008 and 2007.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK\$1,066,000 (six months ended 30 June 2007: HK\$2,919,000) in order to expand its manufacturing capacity.

At 30 June 2008, the Group's property, plant and equipment having a carrying value of approximately HK\$52,946,000 (31 December 2007: HK\$50,697,000) were pledged to secure banking facilities granted to the Group.

10. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period ranged from 30-120 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 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Within 30 days	18,711	17,887
Between 31 to 60 days	11,288	23,286
Between 61 to 90 days	16,787	29,724
Between 91 to 120 days	3,663	4,919
Over 120 days	3,257	1,275
	53,706	77,091
Less: allowances for doubtful debts	–	(201)
Trade receivables	53,706	76,890
Other receivables	14,502	12,514
	68,208	89,404

11. TRADE AND OTHER PAYABLES

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

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Within 30 days	24,198	34,834
Between 31 to 60 days	18,999	4,824
Between 61 to 90 days	12,818	2,310
Between 91 to 120 days	985	8,948
Over 120 days	7,107	7,928
Trade payables	64,107	58,844
Other payables	16,141	15,050
	80,248	73,894

12. BANK BORROWINGS

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Unsecured bank loans	43,048	73,008
Secured bank loans	30,710	46,989
	73,758	119,997

Included in bank loans is a total amount of approximately HK\$43,048,000 (2007: HK\$73,008,000) which represents the proceeds from discounted bill receivable with resource.

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 2008	31 December 2007
Effective interest rates:		
Variable-rate borrowings	5.5% – 11.2%	4.2% – 8.0%

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

	US\$
As at 30 June 2008 (HK\$'000)	32,033
As at 31 December 2007 (HK\$'000)	19,855

13. AMOUNTS DUE TO A DIRECTOR

The amounts denominated in RMB were borrowed from the Company's director and largest shareholder Ms. Chen Wai Yuk ("Ms. Chen").

The amounts of HK\$19,345,000 and HK\$19,162,000 as at 30 June 2008 and 31 December 2007 respectively are unsecured bears interest at variable rates based on the commercial lending rate announced by bank and is repayable in full on 28 February 2009 and the effective rate for the period is 7.5% and 7% per annum respectively.

The amounts of HK\$28,435,000 (after repayment of HK\$7,711,000 from HK\$35,250,000 borrowed and adjusting for the relevant exchange difference) as at 30 June 2008 are unsecured bears interest at variable rates based on the commercial lending rate announced by bank and is repayable in full on 4 April 2010 and the effective rate for the period 6.5% per annum.

Ms. Chen has undertaken not to demand the repayment of the loans provided that she remains to be the largest shareholder of the Company.

14. SHARE CAPITAL

	Number of shares '000 (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2008 and 30 June 2008	2,000,000	200,000
Issued and fully paid:		
At 1 January 2008 and 30 June 2008	494,970	49,497

There was no movement in the share capital during the six months ended 30 June 2008.

15. DEFERRED TAXATION

At 30 June 2008, the Group has estimated unused tax losses of HK\$142,596,000 (31 December 2007: HK\$132,865,000) 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 2012.

16. CAPITAL COMMITMENTS

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 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	34	278

17. 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, the options will remain in force for 10 years from its date of grant of the share options.

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 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.

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.

17. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

The following table discloses the movements of the Company's share options granted under the share option scheme:

Options granted on 18 August 2006

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 1/1/2008	Number of options lapsed during this period	Number of share options at 30/6/2008
Directors	0.2	0.0319	note (i)	1,980,000	–	1,980,000
Employees	0.2	0.033	note (ii)	7,200,000	500,000	6,700,000
				<u>9,180,000</u>	<u>500,000</u>	<u>8,680,000</u>

There is no share option granted prior to 18 August 2006.

Notes:

- The share options are exercisable one year after the Grant Date until 10 April 2012.
- 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 10 April 2012.

Options granted on 18 January 2008

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 1/1/2008	Number of share options granted during this period	Number of share options at 30/6/2008
Other services provider	0.842	0.3651	note (i)	–	10,000,000	10,000,000

Notes:

- The first 5,000,000 share options will be vested one year after the Grant Date. The remaining balance of 5,000,000 share options will be vested two years after the Grant Date. The share options are exercisable once they become vested until 9 January 2018.

17. SHARE-BASED PAYMENT TRANSACTIONS – continued
Equity-settled share option scheme – continued

Options granted on 7 March 2008

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 1/1/2008	Number of share options granted during this period	Number of share options at 30/6/2008
Employees	0.46	0.2533	note (i)	-	17,400,000	17,400,000

Note:

- (i) 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 6 March 2018.

Options granted on 5 May 2008

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 1/1/2008	Number of share options granted during this period	Number of share options at 30/6/2008
Other services provider	0.322	0.1111	note (i)	-	3,500,000	3,500,000
Employees	0.322	0.1111	note (i)	-	2,650,000	2,650,000
				-	6,150,000	6,150,000

Note:

- (i) The share options are exercisable immediately after the Grant Date to 4 May 2018.

17. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

The fair value was calculated using The Black-Scholes pricing models or the Binomial option pricing model (“Models”). The inputs into the models were as follow:

	18 August 2006	Options granted on 18 January 2008	7 March 2008	5 May 2008
Closing share price at the date of grant	HK\$0.2	HK\$0.76	HK\$0.44	HK\$0.305
Exercise price	HK\$0.2	HK\$0.842	HK\$0.46	HK\$0.322
Imported volatility	56.78%	74.84%	76.02%	75.40%
Expected life	2 years	2.5 – 3.5 years	2.4 – 6.5 years	1.6 years
Risk-free rates	4.289%	3.155%	2.739%	2.730%

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumption.

18. POST BALANCE SHEET EVENTS

Pursuant to the Sale and Purchase Agreement and Supplemental Agreements entered between the Company, Jiangsu Golden Harbor Enterprises Limited (“Golden Harbor”, a wholly owned subsidiary of the Company) and Mr. Wang Zheng Chun under which Golden Harbor agrees to acquire the registered capital and the shareholder loan to Anhui Jinwang Development Investment Company Limited, were completed on 15 July 2008, the convertible note with aggregate principal amount of HK\$195.5million and 35,000,000 consideration shares were issued by the Company to Mr. Wang Zheng Chun to satisfy the consideration on completion date. As at the date of this report, the state-owned land use right certificate in respect of the site has not been obtained and accordingly, the holder of convertible note is not yet entitled to convert the Convertible Note into consideration shares.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current presentation. During the period ended 30 June 2007, HK\$1,885,000 represented the depreciation expenses of certain moulds were reclassified from administrative expenses to cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

While the prices of raw materials continued to escalate in the global market during the six months ended 30 June 2008, the prices of major raw materials for power tool industry kept rising. The increase was particularly significant regarding metals such as steel, iron, copper and tin. Among which, the steel price in the PRC soared to its historical high in late June, causing higher cost pressure to the power tools manufacturing enterprises in the PRC.

The Renminbi appreciation sustained during the first half of 2008 with an aggregate increase of 6.5%, while the profits of the exporters further decreased due to the reduction of export tax rebate rate of 9% in the PRC in July 2007. The developments of many exporters in the PRC were therefore threatened.

During the period under review, given the soaring domestic inflation rate, higher land and labour costs over last year, the central government has implemented the macro-economic austerity policies specially for monetary restraint, thereby revealing credit risk to the enterprises.

Dividend

The Board does not recommend the payment of interim dividend for the period ended 30 June 2008.

Business Review

The Group is principally engaged in the production and sales of products such as high-end AC and DC power tools, air tools and household wares. During the period under review, albeit the severe domestic and international economic situations and the challenges faced by the exporters, the Group, with prudent and decisive strategies, still managed to achieve the expected results through sizable production, good reputation and the strong research and development, thus paving a solid base for future development.

During the first half of 2008, the Group had successfully transformed some of its products from middle to high-end and received high recognition after unveiling to the market. With such advantage, the Group continued to seek for indepth cooperation with major clients in respect of the research and development, engineering, quality control and scientific experiments. A few series of middle to high-end products were successively improved through joint cooperation and impressive market feedback was received.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Business Review – continued

During the period under review, in order to cope with the continuous appreciation of Renminbi against US dollar, the Group adjusted the sales strategies on a timely basis by changing its marketing direction and further expanding to the other markets. Fruitful results were achieved, of which the extended cooperation with various top 500 enterprises worldwide was particularly encouraging. Apart from the orders made to the Group, the above crucial customers, after working closely with the Group during the first half of 2008, continued to place additional orders for the middle to high-end products such as professional tools.

Over the years, the Group has paid particular attention to the continuous guarantee and enhancement of product quality. During the period under review, the Group adopted stringent measures for better management of research and development and quality control, and actively enhanced product profile so as to ensure its compliance with the international standard resulting to far more satisfaction of environmental and safety requirements than those stipulated by the European Union.

During the period under review, according to its overall strategy, the Group's production plant underwent effective consolidation to streamline corporate structure, reduce redundant staff, improve quality control and increase the number of research engineers so as to strengthen competitiveness. As mentioned, the "state power tools examination centre" (省電動工具檢驗中心) organised by the Group has passed the one-off approval and may commence operation during the second half of this year. In the future, leveraging on the advanced facilities and professional experimental and scientific researchers in the PRC, the plants will continue to apply for the establishment of the "national-class laboratory" (國家級實驗室), targeting to act as a pioneer in the power tools industry of the PRC and contribute to enhance the overall quality of the power tool industry.

During the period under review, with the cooperation between the Group and the internationally renowned power tool brands and chain stores continued to extend, various cooperation projects achieved breakthroughs after thorough researches and developments. With stable orders at the moment, it is anticipated that the revenue contribution will be obtained as expected throughout the year. By enhancing and expanding the product profile and variety, it is expected that the number of customers will continue to grow. Currently, the Group's major clients include the world's famous chain stores and leading power tool and air tool distributors in Europe and the US, namely Bosch/Skil, Leroy Merlin, etc.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Business Review – continued

During the period under review, due to more difficult external operating environment, the Group has adopted healthy strategies in production to increase its emphasis on the middle to high-end products that are capable of resisting risks, and carried out focused production to strengthen quality control, while at the same time outsourcing the production of low-end products to reduce production cost. During the period under review, the Group's proportion of self-production to outsourcing was 24 : 76 (2007: the proportion was 33.8:66.2).

Prospects

Looking ahead, the external environment is full of challenges and opportunities. The Group has formulated a series of development strategies and actively mapped out deployments so as to build up solid foundation for future business development. In recent years, triggered by the impact of the macro-economic austerity policies adopted by the State and the enormous pressure from the rising cost of the raw materials, the competitions among the export product manufacturers in the PRC have undergone stealthy change. As for survival, more and more small to medium-sized enterprises have gradually shifted their focus to the domestic market, while the medium to large manufacturing enterprises are seeking greater development in respect of product profile, quality and life cycle. With cumulative efforts over the past few years, the research and development and manufacturing capabilities of the Group have reached a leading standard in the PRC. Facing new challenges, even without further input of resources, the Group's production segment is able to meet the demand for the continuous production of middle to high-end products with ease. Currently, all subsidiaries and production plants under the Group are well positioned, so as to embrace the challenges.

The Group will continue to devote effort on the research and development of the middle to high-end products, and continue to strengthen the cooperation regarding numerous areas and products with the internationally renowned brands and chain stores. Among which, the Group will place its emphasis on product quality and introduce more products in order to further expand the product varieties jointly developed with the clients. At present, under comprehensive deployment, the Group has implemented a series of prudent and pragmatic measures to assure product quality. In the future, with the establishment of the national class laboratory, the Group's research and development, quality control, and experimental and scientific research capabilities will spearhead other PRC enterprises and realize positive impact on the further improvement and stable development of product quality.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Prospects – continued

In view of the sophisticated external operating environment, the Group will fully capitalize the existing strength of self-production and increase the proportion of self-production. Meanwhile, the Group will also seek for opportunities to outsource production for the sake of fully utilizing our advantages to further drive its business development. The current self-production capability of the Group is sufficient to cope with the future growth. It is anticipated that no material capital injection on infrastructure is necessary for the development in the forthcoming years.

Leveraging on its good reputation obtained from the cooperation with the internationally renowned brands, its superior product quality, its unparalleled research and development capability as well as its delicate services, the Group is definitely in an advantageous position to tackle the challenge in the future.

Looking forward, apart from the existing power tools and air tool business, on 15 July 2008, the Group had successfully completed the purchase of a piece of land in Zhuanqiao Town, Minhang District, Shanghai, the PRC, which is intended to be developed into a residential project. Due to the strict macro-economic control policy adopted by the PRC government, Group will require more efforts to obtain the necessary funding to develop the land. But property market of Minhang District is stabilized and the whole project is expected to contribute favourable revenue to the Group. The Group is in the process of applying for state-owned land use right certificate of this piece of land.

Financial Review

Turnover and Profit Analysis

For the six months ended 30 June 2008, the Group recorded a turnover of approximately HK\$104,030,000, an increase of 9% as compared to the corresponding period last year. Loss attributable to shareholders was approximately HK\$19,566,000 for the six months ended 30 June 2008 (corresponding period of 2007: HK\$12,470,000).

The increase in the turnover was mainly due to more in-depth cooperation with major clients in respect with research and development, engineering, quality control and scientific experiments and more turnover was generated from these clients. As the escalation of the prices of raw materials and the appreciation of Renminbi during the current period lowered the profit margin of the Group, and the other income of approximately HK\$6,692,000 was recognized in the corresponding period of last year upon disposal of SBW, a former associate of the Company, triggered the increase in the loss attribute to the shareholders this period.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Financial Review – continued

Turnover Breakdown by Product and Geographical Location

In terms 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 78.6%, 6.5% and 14.9% of the Group's turnover (corresponding period of 2007: power tools: 80.7%, air tools and hand tools: 9.2%, household wares: 10.1%).

Geographically, Europe was still the major market of the Group, accounting for 78.1% of the Group's turnover. In addition, the sales in Australian market slightly improved, accounting for 1.7% of the Group's turnover while the sales in the US markets were boosted, accounting for 20.3% of the Group's turnover.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2008, the Group's gross profit decreased from approximately HK\$8,217,000 to approximately HK\$3,040,000. The gross profit margin also decreased from 8% to 3% which was due to the combination of appreciation of Renminbi, the escalation of the raw material cost and labor cost, and the reduction of tax refund for export business.

Cashflow Analysis

For the six months ended 30 June 2008, the Group's net operating cash inflow was HK\$48,549,000.

Cash on Hand

As at 30 June 2008, the Group's cash on hand was HK\$57,782,000 of which pledged bank deposit was HK\$11,288,000.

Debts Analysis and Gearing ratio

As at 30 June 2008, the Group's total borrowings amounted to HK\$138,599,000 and the Group's net debt to equity ratio (total borrowings - cash/equity) was 112%.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Financial Review – continued

Capital Expenditure

The Group's capital expenditure for the six months ended 30 June 2008 was approximately HK\$2.3 million.

Account Receivables Analysis

For the six months ended 30 June 2008, the account receivables of the Group were HK\$53,706,000 (2007: HK\$36,818,000). The Group's debtors' turnover days were 94 days (corresponding period of 2007: 90 days).

Account Payables Analysis

For the six months ended 30 June 2008, the account payables of the Group were HK\$64,107,000 (2007: HK\$68,656,000).

Inventories Analysis

For the six months ended 30 June 2008, the inventories of the Group were HK\$21,388,000 (2007: HK\$29,048,000) while the inventory turnover days were 39 days (2007: 62 days).

Working Capital

The net current liabilities of the Group has increased during the period. Due to the implementation of the macro-economic austerity policies by the Nation and the increasing difficulty of the operating environment, the Company will face increasing difficulty on liquidity. There was net increase in amount of RMB25,000,000 due to a director, Ms. Chen Wai Yuk, used for the repayment of certain bank loan which had failed to renew during the period. She has undertook not to demand the repayment of the amount due provided that she remains to be the largest shareholder of the Company. The management has also actively looking for funding proposal to improve the cashflow.

Shareholding Structure

During the period, no additional share was issued and the total number of issued share capital remained as 494,970,000 shares. On 15 July 2008, 35,000,000 consideration shares were issued by the Company to Mr. Wang Zheng Chun upon the completion of sale and purchase agreement. Details please refer to Note 18 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Financial Review – continued

Pledge of Assets

Assets with the carrying value of HK\$52,946,000 have been pledged to secure borrowings of the Group.

Exposure to Foreign Exchange Risks

The Group's income and expenses are mainly denominated in US dollars and RMB and Hong Kong dollars respectively. During the period under review, the appreciation of RMB increased the Group's operating cost and raw material cost.

Employee Benefits and Training

Up to 30 June 2008, the Group had approximately 480 employees. 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 some internal training courses 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, up to 30 June 2008, the Group granted share options with a total number of 49,160,000 shares of which 2,310,000 shares were granted to the 7 Directors of the Group, while the remaining share options were granted to senior 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.

Contingent Liabilities

At 30 June 2008, the Group did not have any material contingent liabilities (2007: nil).

ADDITIONAL INFORMATION

1. Directors' interests in Shares and Underlying Shares

At 30 June 2008, 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	137,156,000(i)	27.71%
Mr. Wang Shu	Held by spouse	137,156,000(ii)	27.71%
Mr. Wang Zheng Chun	Held by spouse	70,148,000(iii)	14.17%
Mr. Ho Hao Veng	Beneficially held	10,000,000	2.02%

- (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 137,156,000 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.
- (iii) Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares of the Company, being the interests held beneficially by his spouse, Ms. Shen Ling Zhao.

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 17 to the condensed consolidated financial statements.

**Number of
share options
outstanding at
31 December 2007
and 30 June 2008**

Directors

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. Ang Siu Lun, Lawrence	330,000

1,980,000

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. Substantial Shareholders

Other than as disclosed above in the section headed "Directors' interests in Shares and Underlying Shares" at 30 June 2008, 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
Ms. Shen Ling Zhao	Beneficial	70,148,000	14.17%
Mr. Qi Dong Ping	Held by controlled corporation (Note a)	71,200,000	14.38%
Ms. Yu Hai Hong	Held by controlled corporation (Note b)	45,000,000	9.09%

Notes:

- (a) Mr. Qi Dong Ping is the beneficial owner of the entire issued share capital of Big Power Holdings Limited. Big Power Holdings Limited owns 71,200,000 ordinary shares of the Company.
- (b) China Strong Limited acts as a nominee of Shanghai T&E Industrial Company Limited ("T&E") to hold such shares. The Gold Yum Trust, a discretionary trust, is the ultimate beneficial owner of T&E. The trustee and the settlor of the Gold Yum Trust is Federal Trust Company Limited and Ms. Yu Hai Hong, respectively.

Save as disclosed above and in the section headed "Directors' interests in Shares and Underlying shares", as at 30 June 2008, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. 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 2008.

4. Code on Corporate Governance

The Corporate Governance Report of the Board has been set out in our 2007 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 2008.

5. 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 2008.

6. 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. Ang Siu Lun, Lawrence and Mr. Ma Kwai Yuen.

The Audit Committee has reviewed and approved the financial statements for the six months ended 30 June 2008 and this interim report.

7. 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. Ang Siu Lun, Lawrence and Mr. Ma Kwai Yuen.

8. Nomination Committee

The Nomination Committee was established on 20 April 2006 with written terms of reference. It establishes the formal process for identifying and nominating the suitable candidates for the appointment of the Board and for reviewing the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

The members of the Nomination Committee comprise two executive directors, Mr. Wang Shu and Miss Chen Wai Wah and three independent non-executive directors Mr. Ang Siu Lun, Lawrence, Mr. Wei Tong Li and Mr. Ma Kwai Yuen.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Chen Wai Yuk (*Chairman*)
Mr. Wang Shu (*Managing Director*)
Miss Chen Wai Wah
Mr. Wang Zheng Chun
Mr. Zheng Wai Chong

Non-executive Director

Mr. Ho Hao Veng

Independent Non-executive Directors

Mr. Wei Tong Li
Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen (Appointed on
8 September 2008)
Mr. Hui Chuen Fan, Matthew (Resigned on
5 September 2008)

Authorised Representative

Ms. Chen Wai Yuk
Miss Chen Wai Wah

Qualified Accountant

Mr. Liu Hoi Keung

Company Secretary

Mr. Chu Kin Ming (Appointed on
8 September 2008)
Mr. Liu Hoi Keung (Resigned on
8 September 2008)

Audit Committee

Mr. Ma Kwai Yuen (*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. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen

Nomination Committee

Mr. Ang Siu Lun, Lawrence (*Chairman*)
Mr. Wang Shu
Miss Chen Wai Wah
Mr. Wei Tong Li
Mr. Ma Kwai Yuen

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountant

Principal Bankers

Industrial and Commercial 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/en/
2389wangsing](http://www.finance.thestandard.com.hk/en/2389wangsing)