



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 **2009**

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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 2009 which have not been audited but have been reviewed by the Audit Committee together with the comparative figures in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	50,574	104,030
Cost of sales		(45,047)	(100,990)
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Gross profit		5,527	3,040
Other gains		5,073	7,036
Distribution expenses		(3,406)	(6,805)
Administrative expenses		(17,605)	(17,988)
Finance costs	4	(14,262)	(4,801)
Loss on fair value change of conversion option embedded in convertible note	14	(1,382)	–
Other expenses		(272)	(48)
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Loss for the period		(26,327)	(19,566)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(234)	4,504
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Total comprehensive loss for the period		(26,561)	(15,062)
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Loss per share			
– Basic (HK cents)	8	(5.0)	(4.0)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	96,918	99,460
Prepaid lease payments		815	879
Intangible assets		3,513	3,398
		101,246	103,737
Current assets			
Inventories		17,730	13,221
Properties under development held for sale	10	227,832	226,206
Trade and other receivables	11	30,770	61,271
Deposits and prepayments		5,068	6,013
Prepaid lease payments		129	129
Pledged bank deposits		22,689	2,285
Cash and cash equivalents		24,291	38,536
		328,509	347,661
Current liabilities			
Trade and other payables	12	72,642	66,780
Deposits and accrued expenses		5,001	7,932
Bank borrowings	13	34,430	27,832
Conversion option embedded in convertible note	14	34,170	32,788
Loans from related companies		80	18,943
		146,323	154,275
Net current liabilities		182,186	193,386
Total assets less current liabilities		283,432	297,123
Capital and reserves			
Share capital	15	52,997	52,997
Reserves		(51,905)	(27,274)
Total equity		1,092	25,723
Non-current liabilities			
Convertible note	14	176,185	164,454
Loans from related companies		106,155	106,946
		282,340	271,400
		283,432	297,123

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 (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 2009 (audited)	52,997	170,025	6,323	800	14,045	710	(219,177)	25,723
Loss for the period	-	-	-	-	-	-	(26,327)	(26,327)
Exchange differences arising on translation of foreign operations	-	-	-	-	(234)	-	-	(234)
Total comprehensive loss for the period	-	-	-	-	(234)	-	(26,327)	(26,561)
Recognition of equity – settled share-based payments	-	-	1,930	-	-	-	-	1,930
Release upon lapse of vested share options	-	-	(1,775)	-	-	-	1,775	-
At 30 June 2009 (unaudited)	52,997	170,025	6,478	800	13,811	710	(243,729)	1,092

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 (audited)	49,497	164,075	139	800	11,536	710	(141,899)	84,858
Loss for the period	-	-	-	-	-	-	(19,566)	(19,566)
Exchange differences arising on translation of foreign operations	-	-	-	-	4,504	-	-	4,504
Total comprehensive loss for the period	-	-	-	-	4,504	-	(19,566)	(15,062)
Recognition of equity – settled share-based payments	-	-	2,588	-	-	-	-	2,588
At 30 June 2008 (unaudited)	49,497	164,075	2,727	800	16,040	710	(161,465)	72,384

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	22,370	48,549
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,379)	(1,066)
Purchase of intangible assets	(594)	(1,289)
Interest received from banks	53	223
NET CASH USED IN INVESTING ACTIVITIES	(1,920)	(2,132)
FINANCING ACTIVITIES		
Net bank borrowings raised	36,353	72,450
Repayment to loans from related companies	(19,545)	–
Increase in amount due to a director	–	35,250
Repayment to a director	–	(7,711)
Increase in other borrowings	–	5,687
Repayment of bank borrowings	(29,756)	(119,997)
Increases in pledged bank deposits	(20,404)	(11,288)
Interest paid	(1,502)	(3,117)
NET CASH USED IN FINANCING ACTIVITIES	(34,854)	(28,726)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,404)	17,691
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	38,536	28,215
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	159	588
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	24,291	46,494
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	24,291	46,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

A number of new or revised accounting standards and interpretations are effective for the financial year beginning on 1 January 2009. Except as disclosed below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2008.

Hong Kong Financial Reporting Standards (“HKFRSs”) (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK (International Financial Reporting Interpretations Committee)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives

2. PRINCIPAL ACCOUNTING POLICIES – continued

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, all of the Group's operations are manufacturing of power tools and hand tools. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and distribution of power tools, air tools and hand tools. The Group has not commenced its property development project during the period. 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 components reviewed by the management in order to allocate resources to the segment and to assess its performance.

3. SEGMENT INFORMATION – continued

Segment information by location of customers is as follows:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Europe	18,990	81,207
America	20,259	4,519
Other continents	11,325	18,304
Total	50,574	104,030
Segment results		
Europe	2,313	2,371
America	2,346	132
Other continents	868	537
Total	5,527	3,040
Unallocated corporate income	3,691	7,036
Unallocated corporate expenses	(21,283)	(24,841)
Finance costs	(14,262)	(4,801)
Loss for the period	(26,327)	(19,566)

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	1,502	3,117
Other borrowings	–	594
Amount due to a director	1,029	1,090
Imputed interest expense on convertible note	11,731	–
	14,262	4,801

5. INCOME TAX

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.

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.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2009	2008
	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	3,193	7,050
Amortisation of intangible assets	706	778
Amortisation of prepaid lease payments	64	65
Reversal of impairment loss for amount due from SBW	-	(2,614)

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period. (For the six months ended 30 June 2008: 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\$26,327,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$19,566,000) and on 529,970,000 shares (six months ended 30 June 2008: 494,970,000 shares) in issue during the period. The computation of diluted loss per share for the six months ended 30 June 2009 and 2008 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 2009 and 2008.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK\$1,379,266 (six months ended 30 June 2008: HK\$1,066,000).

At 30 June 2009, the Group's property, plant and equipment having a carrying value of approximately HK\$58,014,080 (31 December 2008: HK\$58,403,000) were pledged to secure banking facilities granted to the Group.

10. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

The piece of land is located in Shanghai, the PRC and held under a long lease. The land will be used for development of residential properties for sale in the ordinary course of business upon completion.

11. 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 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Within 30 days	10,222	16,730
Between 31 to 60 days	8,496	15,442
Between 61 to 90 days	2,731	6,635
Between 91 to 120 days	1,533	8,710
Over 120 days	9	5
Trade receivables	22,991	47,522
Other receivables	7,779	13,749
	30,770	61,271

12. TRADE AND OTHER PAYABLES

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

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Within 30 days	15,466	21,470
Between 31 to 60 days	3,717	12,898
Between 61 to 90 days	2,987	4,690
Between 91 to 120 days	571	5,034
Over 120 days	42,132	17,738
	<hr/>	<hr/>
Trade payables	64,873	61,830
Other payables	7,769	4,950
	<hr/>	<hr/>
	72,642	66,780
	<hr/> <hr/>	<hr/> <hr/>

13. BANK BORROWINGS

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Unsecured bank loans	2,666	8,556
Secured bank loans	31,764	19,276
	<hr/>	<hr/>
	34,430	27,832
	<hr/> <hr/>	<hr/> <hr/>

Included in bank loans is a total amount of approximately HK\$2,666,000 (2008: HK\$8,556,000) which represents the proceeds from discounted bill receivable with recourse.

All other borrowings are at variable rates.

13. BANK BORROWINGS – continued

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

	30 June 2009	31 December 2008
Effective interest rates:		
Variable-rate borrowings	4.1% – 6.4%	4.1% – 8.9%

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 2009 (HK\$'000)	2,666
As at 31 December 2008 (HK\$'000)	8,556

14. CONVERTIBLE NOTE

The Company issued a zero coupon convertible note (the "Convertible Note") in the aggregate principal value of HK\$195,500,000 on 15 July 2008 as part of considerations paid for the acquisition of assets through purchase of a subsidiary. The Convertible Note is denominated in Hong Kong dollars. The note entitles the holders to convert it into ordinary shares of the Company before 15 July 2010 at a conversion price of HK\$0.46 per share. If the note has not been converted, they will be redeemed on 15 July 2010 at 104% of the principal amount.

The conversion price has subsequently been adjusted after the period end, please see note 19 for details.

The Convertible Note contains two components, liability component and conversion option derivative. The effective interest rate of the liability component is 13.9%. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

14. CONVERTIBLE NOTE – continued

The movement of the liability component and conversion option derivative of the Convertible Note for the year is set out as below:

	Liability component HK\$'000	Conversion option derivative HK\$'000
Carrying amount at initial recognition	154,371	41,129
Interest charge	10,083	–
Gain arising on changes of fair value	–	(8,341)
	<hr/>	<hr/>
As at 31 December 2008	164,454	32,788
Interest charge	11,731	–
Loss arising on changes of fair value	–	1,382
	<hr/>	<hr/>
As at 30 June 2009	176,185	34,170

15. SHARE CAPITAL

	Number of shares '000 (unaudited)	Value HK\$'000 (unaudited)
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2009 and 30 June 2009	2,000,000	200,000
	<hr/>	<hr/>
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	529,970	52,997

There was no movement in the share capital during the six months ended 30 June 2009.

16. DEFERRED TAXATION

At 30 June 2009, the Group had estimated unused tax losses of HK\$182,649,000 (31 December 2008: HK\$175,709,000) 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.

17. CAPITAL COMMITMENTS

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 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	54	409

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 issue at any time and 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.

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.

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

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 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 1/1/2009	Number of share options lapsed during this period	Number of share options at 30/6/2009
Directors	0.2	0.0319	note (i)	1,320,000	(330,000)	990,000
Employees	0.2	0.033	note (ii)	6,300,000	(2,600,000)	3,700,000
				<u>7,620,000</u>	<u>(2,930,000)</u>	<u>4,690,000</u>

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

Notes:

- i. The share options are exercisable one year after 18 August 2006 until 10 April 2012.
- ii. One-fifth of the share options granted to the employees will be vested annually in the next five years from 18 August 2006. The share options are exercisable once they become vested until 10 April 2012.

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

Options granted on 10 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 1/1/2009 and 30/6/2009
Other service provider	0.842	0.4648	note (i)	10,000,000

Notes:

- (i) The first 5,000,000 share options will be vested one year after 10 January 2008. The remaining balance of 5,000,000 share options will be vested two years after 10 January 2008. The share options are exercisable once they become vested until 9 January 2018.

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 1/1/2009	Number of share options lapsed during this period	Number of share options at 30/6/2009
Employees	0.46	0.2935	note (i)	16,000,000	(9,900,000)	6,100,000

Note:

- (i) One-fifth of the share options granted to the employees will be vested annually in the next five years from 7 March 2008. The share options are exercisable once they become vested until 6 March 2018.

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

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 1/1/2009	Number of share options lapsed during this period	Number of share options at 30/6/2009
Other service provider	0.322	0.1769	note (i)	6,150,000	(2,650,000)	3,500,000

Note:

(i) The share options are exercisable immediately after 5 May 2008 to 4 May 2018.

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:

	Options granted on			
	18 August 2006	10 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.

The exercise price per share and the number of share options per above have been adjusted after the period end. Please refer to note 19 for details.

19. EVENT AFTER THE END OF THE REPORTING PERIOD

On 2 June 2009, the Company announced that, among others, the Company had entered into an Underwriting Agreement with Hillframe Holdings Limited (the “Underwriter”) and Mr. Wang Zheng Chun on 27 May 2009 in relation to the Open Offer (the “Open Offer”). Accordingly, 1,059,940,000 offer shares (the “Offer Shares”) will be issued under the Open Offer. The Company will allot two Offer Shares for every one share held by the qualifying shareholders on 10 July 2009 (the “Record Date”). The Open Offer is not available to the non-qualifying shareholders. The Open Offer is conditional, inter alia, upon the Whitewash Waiver having been granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director and the approval of the Open Offer and the Whitewash Waiver by the independent shareholders at the extraordinary general meeting held on 10 July 2009 by way of poll.

Results of the open offer

Up to 4:00 p.m. on 24 July 2009, being the latest time for acceptance of and payment for the Offer Shares under the Open Offer, 12 valid acceptances were received for an aggregate of 264,222,000 Offer Shares. The total of 264,222,000 Offer Shares being applied for represent approximately 24.93% of the total number of 1,059,940,000 Offer Shares offered under the Open Offer and approximately 16.62% of the enlarged issued share capital of the Company of 1,589,910,000 shares immediately after completion of the Open Offer.

The Underwriting Agreement became unconditional at 4:00 a.m. on 29 July 2009. As a result of the under-subscription of the Offer Shares, the Underwriter is obliged to subscribe for 795,718,000 Offer Shares that have not been validly subscribed for (the “Untaken Offer Shares”). The amount of HK\$79,571,800 payable by the Underwriter in respect of the Untaken Offer Shares has been set off against the loan to the Company (the “Loan”). As a result of the setting off, the outstanding amount of the Loan was HK\$26,583,477.

The Untaken Offer Shares represent approximately 75.07% of the total Offer Shares and approximately 50.05% of the enlarged issued share capital of the Company of 1,589,910,000 shares immediately after completion of the Open Offer.

Shareholding structure of the Company

Immediately upon completion of the Open Offer, the Underwriter and parties acting in concert with it are interested in 900,866,000 shares, representing approximately 56.66% of the issued share capital of the Company as enlarged by the issue of the Offer Shares. As the Underwriter and parties acting in concert with it hold more than 50% of the voting rights of the Company in aggregate upon completion of the Open Offer, the Underwriter and parties acting in concert with it may further increase their shareholding in the Company without triggering any further obligation under the Hong Kong Code on Takeovers and Mergers to make a general offer.

19. EVENT AFTER THE END OF THE REPORTING PERIOD – continued

Adjustment to conversion price of the Convertible Note

As at the Record Date, the Company had the Convertible Note in issue. As a result of the completion of the Open Offer, the conversion price of the Convertible Note has been adjusted from HK\$0.46 per share to HK\$0.29 per share.

Adjustments to the subscription prices and number of shares to be issued upon exercise of the outstanding share options

As at the Record Date, the Company had 24,290,000 share options outstanding. As a result of the completion of the Open Offer, the subscription prices and number of shares to be issued upon exercise of the outstanding share options have been adjusted as follows:

Existing subscription prices (per share)	Number of shares to be issued upon exercise of the outstanding share options as at the Record Date	Adjusted subscription prices (per share) as a result of the completion of the Open Offer	Adjusted number of shares to be issued of the outstanding share options as at the Record Date as a result of the completion of the Open Offer
HK\$0.2	4,690,000	HK\$0.124	7,564,509
HK\$0.322	3,500,000	HK\$0.200	5,635,000
HK\$0.46	6,100,000	HK\$0.285	9,845,609
HK\$0.842	10,000,000	HK\$0.521	16,161,228

Optima Capital Limited has certified the above adjustments to the conversion price of the Convertible Note and the subscription prices and number of the shares to be issued upon exercise of the outstanding share options as at the Record Date. The abovementioned adjustments became effective retrospectively on 11 July 2009, being the day next following the Record Date.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first quarter of 2009, the global economy remained gloomy and grim, and has only started to gradually revive at the turn of the second quarter. During the period under review, given the worldwide key markets, including Europe and the United States, went through a certain setback, market competition amongst domestic manufacturing peers was intensified.

During the period, international oil prices grew remarkably. Prices of domestic raw materials also surged. In the first half of 2009, the raw material prices for the power tool related industry registered a sharp rise. In particular, copper prices soared substantially by 70%. Prices of steels and plastics remained high in the first half of the year. Given the enterprises had to operate at higher costs, the manufacturers of power tools, garden tools and air tools faced increasingly challenging business environment.

During the period under review, the European Union tightened its directives and regulations (including 2005/84/EC Phthalates Directive and 2006/1907/EC REACH Regulation) on environmental protection. Specifically, contents of (DEHP+BBP+DBP) and (DINP+DIDP+DNOP) were both restricted to less than 0.1%. Under the prevailing regulations, contents of 15 substances, mainly the synthetic chemicals, embodied in the category of SVHC (being substances of very high concern) were limited to less than 0.1%. For the sake of conserving the world's environment and keeping abreast of customers' needs, it is essential for the manufacturing sector to take greater steps in purchasing materials which are strictly compliant with the required standards, resulting in rising purchase costs and product testing expenses on the part of the manufacturing enterprises. As the environmental protection measures in the global markets will become increasingly stringent, some smaller manufacturers are expected to be severely affected. In contrast, under an accelerated industry consolidation, the enterprises with strong edges in the horizons of technology, inspection and testing, as well as certification will be well positioned to foster a long term growth.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Business Review

The Group is principally engaged in the production and sale of mid to high end alternating current (AC) and direct current (DC) power tools, garden tools and air tools. During the period under review, product costs have grown increasingly since the second half of the previous year. In addition, Europe, the main sales market of the Group, was embraced with daunting sentiment in the first half of 2009. Like most of the domestic manufacturing enterprises, the Group was no exception in light of a number of external difficulties. However, over the years, the Group has expanded itself into markets of mid to high end products through product redefinition. On top of this, in the first half of the year, the Group timely remapped out its tactics of research and development as well as marketing in reaction to changing market conditions. During the period under review, the Group endeavoured to step up the research and development plus the market expansion of new products produced by its in-house factory. The Group scaled down the sales volume of products with lower gross profit margin by enhancing the proportion of its self-developed products. Therefore, despite a reduced sales, a higher gross profit margin was generated.

In the first half of 2009, the Group recorded a turnover and loss attributable to shareholders of HK\$50,574,000 and HK\$26,327,000 respectively. In the second half of 2009, the power tool business remained the main revenue generator, but the segments of garden tools, air tools and other products accounted for an increasing proportion of the overall turnover.

The Group delivered continuous efforts in constructing a professional laboratory. Apart from closely cooperating with “TUV”, a European renowned certification firm in Germany, the Group’s laboratory was presented as a provincial-class inspection centre of power tools. In the first half of the current year, the provincial inspection centre was well equipped with outstanding equipment and personnel. The centre has gradually added positive values to the Group, as it offered professional inspection and testing support to the Group, and it played a leading role as a local economic growth engine by promoting the development of the local industries.

In addition, the Group had completed the purchase of a piece of land with a site area of approximately 57,045 square metres in Shanghai, the PRC.

The land is divided into southern portion and northern portion, and state-owned land use right certificates have been obtained. The southern portion will be developed into five blocks of mini-high-rise building, and the northern portion will be used for constructing three-storey villas. The development of the land also includes community facilities such as an elderly rehabilitation centre and a kindergarten.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Business Review – continued

As at 30 June 2009, the planning permit for construction use of land for the southern portion has been obtained. It is expected that construction work will commence soon after obtaining the construction permit for the commencement of the construction work on the land before October 2009. The planning permit for construction use of land for the northern portion will be obtained in late 2009. It is estimated that the whole construction project will be completed by the end of 2011. Pre-sale will commence in mid-2010.

In July 2009, the Group completed the Open Offer of 1,059,940,000 new shares and increased the issued share capital to 1,589,910,000 shares. The Open Offer has improved the financial and gearing positions of the Group by way of allowing the Group to repay part of the debts without the use of its fund. The Open Offer has also helped the Group to achieve a better financial position.

Financial Position

Revenue and Profit Analysis

For the six months ended 30 June 2009, the Group recorded a revenue of approximately HK\$50,574,000, a drop of 51% as compared to 2008. Loss attributable to shareholders was approximately HK\$26,327,000 in 2009 (2008: HK\$19,566,000). The decrease in revenue was mainly due to the decrease in the overall demand.

Revenue Breakdown by Products and Geographical Locations

In terms of products, power tools were still the major income source for the Group. In 2009, the sales of power tools, air tools and hand tools and other products represented 90.14%, 4.28% and 5.58% of the Group's revenue respectively (2008: power tools 78.6%, air tools 6.5% and hand tools and other products 14.9%).

Geographically, Europe remained the major market of the Group. In 2009, the revenue proportion of the Group from Europe and other markets was 43:57 (2008: 78:22).

Gross Profit and Margin Analysis

For the six months ended 30 June 2009, the Group's gross profit increased from approximately HK\$3,040,000 in 2008 to approximately HK\$5,527,000. The gross profit margin also increased from 3% to 11% as a result of greater impairment provision of production machinery by the Group during last year.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Financial Position – continued

Liquidity and Gearing Ratio

At 30 June 2009, the Group's cash on hand was HK\$46,980,000, in which HK\$22,689,000 was pledged bank deposits. The long term and short term debts of the Group were HK\$140,665,000 in aggregate. As at 30 June 2009, the gearing ratio (total borrowings – cash/equity) was 8,579%. After the completion of Open Offer in July 2009, the Group's liabilities reduced by HK\$79,571,800, and the share capital increased by approximately HK\$105,994,000 while the gearing ratio decreased substantially to below 50%.

Capital Expenditure

For the six months ended 30 June 2009, the Group's capital expenditure was approximately HK\$1,973,711.

Working Capital Analysis

For the six months ended 30 June 2009, the Group's trade debtors' turnover days were 128 days (2008: 94 days). The account payables turnover days were 264 days (2008: 93 days) and the inventory turnover days were 72 days (2008: 39 days).

Contingent Liabilities

At 30 June 2009, the Group did not have any material contingent liabilities (2008: nil).

Exposure to Foreign Exchange Risks

The Group's income and expenses are mainly denominated in US dollars and RMB and partly in Euro.

Employee Benefits and Training

As at 30 June 2009, the Group has a total of 554 employees. Amongst them, there are 80 managements and 95 engineers. The Group has always accredited incredible merits on staff training. Through staff training, our employees will become more skillful in problem solving, professional expertise and communication techniques. Moreover, a stronger sense of cohesion will be produced amongst each and every employee of the Group. During the period under review, the Group completed more than 80 on-the-job staff trainings.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Prospect

In the second half of 2009, the external operating environment will still be full of challenges. In anticipation of persistently rising raw material prices, the Group will negotiate with its customers on corresponding markups on new orders placed since July this year in order to share part of the increased cost burdens with its customers. At the same time, the quotation time with customers will be shortened to minimize the potential impacts arising from the fluctuating raw material prices. Furthermore, the Group will consider other proactive measures to set off the impacts of surging raw material prices on the Group.

Looking ahead, the Group will pursue for a higher standard of operational management and corporate culture. On top of steadfastly optimizing its operational management, the Group will in future make concerted efforts in developing an enhanced corporate culture so as to reinforce its core competitive strengths and cohesion forces. The Group will put into practice stricter cost control initiatives, including a stringent control of labour costs and an improvement in production efficiency, in order to mitigate the adverse effects from the external environment and to improve the Group's overall efficiency.

The Group has always dedicated to product innovation and diversification. In the face of the possibly recovering markets of power tools and air tools, the Group is confident of creating a steady growth in the operations of power tools, garden tools and air tools as well as other related business segments. Capitalizing on further market exploration and the ongoing roll out of brand new products, the Group is set to enjoy continuous synergies in a variety of key areas, including the sale, research and development and production aspects. The Group expects to report a more promising performance in its overall result in the second half of 2009.

The real estates projects are estimated to commence pre-sale and to be completed in mid-2010 and by the end of 2011 respectively. It is expected that they will generate considerable returns for the Group.

Dividend

The Board does not recommend the payment of interim dividend for the period ended 30 June 2009.

ADDITIONAL INFORMATION

1. Directors' interests in shares and underlying shares

At 30 June 2009, the interests of the directors or chief executives of the Company 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 pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

(a) *Long positions in the shares, the underlying shares under equity derivatives of the Company*

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Wang Zheng Chun	Held by spouse	70,148,000 (Note 1)	–	70,148,000	13.24%
	Held by controlled corporation	35,000,000 (Note 2)	–	35,000,000	6.60%
	Held by controlled corporation	1,081,660,000 (Note 3)	–	1,081,660,000	204.10%
	Beneficial owner	–	425,000,000 (Note 4)	425,000,000	80.19%
		1,186,808,000	425,000,000	1,611,808,000	304.13%
Mr. Ho Hao Veng	Beneficial owner	2,448,000	330,000 (Note 5)	2,778,000	0.52%
Mr. Zhang Xiu He	Beneficial owner	1,540,000	–	1,540,000	0.29%
Mr. Wei Tong Li (Note i)	Beneficial owner	–	330,000 (Note 5)	330,000	0.06%
Mr. Ang Siu Lun, Lawrence	Beneficial owner	–	330,000 (Note 5)	330,000	0.06%

1. Directors' interests in shares and underlying shares – continued

(a) Long positions in the shares, the underlying shares under equity derivatives of the Company – continued

Notes:

1. Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interests held beneficially held by his spouse, Ms. Shen Ling Zhao.
2. 35,000,000 shares were held by Grand Vision Group Limited, the entire issued capital of which is beneficially owned by Mr. Wang Zheng Chun.
3. Mr. Wang Zheng Chun is deemed to be interested in 1,081,660,000 shares by reason of his 100% beneficial interest in the entire issued share capital of Hillfame Holdings Limited.
4. Mr. Wang Zheng Chun is the holder of the Convertible Note for a principal sum of HK\$195,500,000 with an exercise price of HK\$0.49 per share. Upon full exercise of the conversion right attaching thereto would result in issue and allotment of 425,000,000 shares to Mr. Wang Zheng Chun.
5. The interests derived from share options granted by the Company on 18 August 2006 entitle the holders thereof to subscribe for shares at an exercise price of HK\$0.2 per share during the period from 18 August 2006 to 10 April 2012.

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

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 18 to the condensed consolidated financial statements.

	Outstanding at 1 January 2009	Number of share options		Outstanding at 30 June 2009
		Granted during this period	Lapsed during this period	
<i>Directors</i>				
Mr. Ho Hao Veng	330,000	–	–	330,000
Mr. Wei Tong Li (Note i)	330,000	–	–	330,000
Mr. Ang Siu Lun, Lawrence	330,000	–	–	330,000
Mr. Wang Shu (Note ii)	330,000	–	(330,000)	–
	1,320,000	–	(330,000)	990,000

Notes:

- (i) Mr. Wei Tong Li resigned as a director of the Company on 16 July 2009. He did not exercise his option on or prior to his resignation date and therefore the option lapsed on 16 July 2009.
- (ii) Mr. Wang Shu resigned as a director of the Company on 26 March 2009. He did not exercise his option on or prior to his resignation date and therefore the option lapsed on 26 March 2009.

These options were granted on 18 August 2006 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.

1. Directors' interests in shares and underlying shares – continued

(c) *Convertible Note*

Pursuant to the sales and purchase agreement which was completed on 15 July 2008, a convertible note with an aggregate principle amount of HK\$195,500,000 was issued by the Company to Grand Vision Group Limited which is wholly owned by Mr. Wang Zheng Chun to satisfy part of the consideration on the completion date.

During the conversion period as specified under convertible note agreement, Mr. Wang Zheng Chun has an option to convert the convertible note into 425,000,000 ordinary shares of the Company. Upon full conversion of the convertible note, Mr. Wang Zheng Chun will hold interests in ordinary shares representing approximately 56% of the issued share capital of the Company as at 30 June 2009.

Particulars of the Convertible Note are set out in note 14 and note 19 to the consolidated financial statements.

2. Substantial shareholders' interests

Other than as disclosed above in the section headed "Directors' interests in shares and underlying shares" at 30 June 2009, the shareholders (other than directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares and 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 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	Approximate percentage of the issued share capital of the Company
Mr. Yang Fei	Beneficial owner	636,000	
	Held by controlled corporation (Note a)	80,000,000	
		80,636,000	15.22%
Big Power Holdings Limited	Beneficial owner	71,200,000	13.43%
Mr. Wang Ji Ming	Held by controlled corporation (Note b)	57,156,000	10.78%
Ms. Yu Hai Hong	Held by controlled corporation (Note c)	45,000,000	8.49%

Notes:

- (a) Mr. Yang Fei is personally interested in 636,000 shares and he is the sole shareholder of Max Faith Group Limited which is interested in 80,000,000 shares.
- (b) Mr. Wang Ji Ming is the sole beneficial owner of the entire issued share capital of Faithful Choice Investments Limited which is interested in 57,156,000 shares.
- (c) The trustee and the settlor of The Gold Yum Trust, a discretionary trust, are Federal Trust Company Limited and Ms. Yu Hai Hong respectively. China Strong Limited acts as a nominee of Shanghai T.&E. Industrial Co., Ltd. to hold the interests in 45,000,000 shares and The Gold Yum Trust is the ultimate beneficial owner of Shanghai T.&E. Industrial Co., Ltd..

2. Substantial shareholders' interests – continued

Save as disclosed above and in the section headed “Directors’ interests in shares and underlying shares”, as at 30 June 2009, 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 of its subsidiaries, of the Company’s listed securities during the six months ended 30 June 2009.

4. Code on Corporate Governance

The Corporate Governance Report of the Board has been set out in our 2008 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 of the Listing Rules for the six months ended 30 June 2009, except for the deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Wang Shu, being a director and Chief Executive Officer of the Company, tendered his resignation on 26 March 2009. Mr. Wang Zheng Chun, being the Chairman of the Company, has been appointed as the Chief Executive Officer of the Company with effect from 22 April 2009. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

4. Code on Corporate Governance – continued

Although the independent non-executive directors of the Company have not entered into any appointment letter with the Company for a specific term, they are subject to retirement by rotation once every three years and offers himself for re-election in accordance with the Articles of Association of the Company. Moreover, the Company in general meeting shall have power by ordinary resolution to remove any director before the expiration of his period of office.

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 as set out in Appendix 10 of 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 2009.

6. Audit Committee

The Audit Committee was established on 11 April 2002 with written terms of reference. 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 the non-executive director, Mr. Ho Hao Veng and three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack.

The Audit Committee has reviewed and approved the financial statements for the six months ended 30 June 2009 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 the non-executive director, Mr. Ho Hao Veng, three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack and one executive director, Mr. Zheng Wei Chong.

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, reviews 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 three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack and one executive director, Mr. Wang Zheng Chun.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wang Zheng Chun

Mr. Zheng Wei Chong

Mr. Zhang Xiu He

Mr. Xu Wen Cong

Mr. Cheung Man

(Appointed on 11 September 2009)

Mr. Wang Shu

(Resigned on 26 March 2009)

Non-executive Director

Mr. Ho Hao Veng

Independent Non-executive Directors

Mr. Ang Siu Lun, Lawrence

Mr. Ma Kwai Yuen

Mr. Law Wing Tak, Jack

Mr. Wei Tong Li

(Resigned on 16 July 2009)

Authorised Representatives appointed under rule 3.05 pursuant to the Listing Rules

Mr. Zheng Wei Chong

Miss Tang Sze Ning, Erica

Company Secretary

Miss Tang Sze Ning, Erica

(Appointed on 15 June 2009)

Mr. Chu Kin Ming

(Resigned on 7 June 2009)

Audit Committee

Mr. Ma Kwai Yuen (*Chairman*)

Mr. Ho Hao Veng

Mr. Ang Siu Lun, Lawrence

Mr. Law Wing Tak, Jack

Mr. Wei Tong Li

(Resigned on 16 July 2009)

Remuneration Committee

Mr. Ho Hao Veng (*Chairman*)

Mr. Ang Siu Lun, Lawrence

Mr. Ma Kwai Yuen

Mr. Law Wing Tak, Jack

Mr. Zheng Wei Chong

(Appointed on 11 September 2009)

Mr. Wei Tong Li

(Resigned on 16 July 2009)

Nomination Committee

Mr. Ang Siu Lun, Lawrence (*Chairman*)

Mr. Ma Kwai Yuen

Mr. Law Wing Tak, Jack

Mr. Wang Zheng Chun

(Appointed on 11 September 2009)

Mr. Wang Shu

(Resigned on 26 March 2009)

Mr. Wei Tong Li

(Resigned on 16 July 2009)

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountant

Principal Bankers

Standard Chartered Bank

Hang Seng Bank

KBC Bank N. V. Nanjing

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

Suite 4701, 47/F

Far East Finance Centre

16 Harcourt Road

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.

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2389

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