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WANG SING INTERNATIONAL

Annual Report 2007

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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)

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Chairman's Statement

On behalf of the Board of Directors, I would like to present the annual results of Wang Sing International Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

For the year under review, the Group's turnover was HK$226,544,000 (2006: HK$233,571,000) and loss attributable to equity holder of the Company was HK$88,546,000 (2006: HK$116,546,000), while the loss per share was HK22.2 cents (2006: HK31.1 cents).

As a manufacturer and trader of power tools and air tools, the Group was under enormous pressure in 2007. The prices of commodities and raw materials continued to escalate in the global market during 2007, among which the increase in the prices of metals such as copper, iron, steel and nickel soared to their historical highs over the last years. This, coupled with the 6% appreciation of Renminbi and the change in policy with regard to export tax rebate, led to a further increase in the operating cost of the Group.

Confronted with the challenges internally and externally, the Group continued its business development in a prudent manner. It has streamlined the workforce of the factories, strengthened internal management and pursued a series of reform, in order to be thoroughly and fully prepared for the scale production in future.

During the year under review, the Group focused on the production of medium- and high-end products. It cooperated closely with its clients, and achieved encouraging development and satisfactory progress. The Group expects that the number of clients will continue to increase in the future. It also endeavoured to explore markets outside Europe. Our dispute with the German associate had been fully resolved during the year under review. A settlement agreement was entered into between the Group and the associate in Germany.

On the other hand, the Group was committed to enhance product development and technological improvement. Apart from the launch of new power tools and air tools, it also persistently reinforced cooperation with branded customers and increased its efforts in the research and development of higher-end products, thereby enhanced the profitability of the Group. The Group has increased investment in its professional laboratory and successfully manufactured quality products reaching international standards, which laid a solid foundation for the future growth of the Group.

In order to explore new markets and strengthen its competitiveness, the Group has also launched a key business diversification initiative during the year under review, in which detailed studies and examinations has been conducted in respect of regions and projects that might provide new economic impetus to the Group with a hope for overall higher turnover and profit for the Group in the future.

Looking ahead, the operating environment of power tool manufacturers will remain harsh due to adverse factors such as high raw material prices and the continuous appreciation of Renminbi. In view of this situation, the Group will implement stringent cost control measures, increase automation to enhance its production efficiency, and introduce more new products and explore more markets, for improving the overall efficiency and strengthening its profitability. Capitalizing on its increasingly mature production technology, the Group will continue to look for opportunities to cooperate with professional brands and chain stores, in order to jointly develop new professional tools.

Chairman's Statement

Moreover, apart from its existing power tool and air tool business, the Group is pleased to announce that it will be engaged in real estate development business in the PRC. The Group entered into a sale and purchase agreement in March 2008, to purchase a piece of land in Zhuanqiao Town, Minhang District, Shanghai, the PRC, which is intended to be developed into a residential project. The transaction is expected to be completed in June 2008 and the whole project is expected to contribute favourable revenue to the Group. Despite the macro-economic control measures adopted by the PRC government during the year, the Group is of the view that the overall development of the Group will likely not be affected by such measures, although the real estate market in China will be further consolidated.

Having the courage to embrace changes and leveraging on its excellent development strategy, R&D strength, extensive client base, stringent cost control measures, enterprise innovation and transparency, continuous enhancement in operation and management capability, the Group expects its overall business performance will improve in 2008.

Last but not least, on behalf of the Board of Directors of the Company, I would like to take this opportunity to express our heartfelt gratitude to all the shareholders and business partners for their support and trust during the past year and to all staff members for their diligence and dedication. We will together stride into a more prosperous future.

Ms. Chen Wai Yuk
Chairman

Hong Kong, 25 April 2008

Management Discussion and Analysis

INDUSTRY OVERVIEW

The prices of commodities and raw materials continued to escalate in the global market during 2007, among which the increase in the prices of metals such as copper, iron, steel and nickel soared to their historical highs over the last year (the prices of nickel and cast iron in particular increased by nearly 50% and 87% respectively, as compared by the year end of 2006). The prices of rubber and other materials also stayed at high levels. During the year under review, Renminbi appreciated by as much as 6%. Owing to the change in the policy with regard to export tax rebate, the tax rebate rate of most of the products in the power tool and air tool industry has been reduced by 8%, leading to a further increase in the operating cost of manufacturing enterprises and the profit from export sales has been directly affected. As a result, the manufacturers and traders of power tools and air tools in the PRC was under great pressure and challenges.

During the year under review, "the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations ("RoHS Regulations")", which was introduced by the European Union on 1 July 2006 still exerted great impact on the industry. RoHS Regulations prohibits the use of 6 hazardous substances such as lead, mercury and cadmium in electrical and electronic equipment, and promulgates higher standards of anticarcinogenic and environmental protection requirements. Thus, buyers of power tools along with numerous manufacturers adopted a prudent attitude towards production and sales. There are only a few power tool manufacturers in the PRC who are capable of meeting the relevant standards under such Regulations in terms of equipment, testing and technology. As such, exports declined substantially during the year. As one of the leading manufacturers of power tools and air tools in China, the Group possessed the professional equipment and technology which enable its products to comply with international standards.

DIVIDEND

The Board of Directors did not recommend the payment of final dividend for the year ended 31 December 2007.

BUSINESS REVIEW

The Group is principally engaged in the production and sales of products such as high-end AC and DC power tools and air tools. During the year under review, the Group's overall business performance was not satisfactory, mainly due to the increasingly difficult operating environment. Leverage on its foundation laid down in 2006, the Group has fully prepared for the adverse operating environment and actively adopted counter-measures. It also strived to enhancing its operation efficiency, enhance and optimize the quality of its products and implement reasonable business enhancement strategies, so as to reduce the loss of the Group and ensure that the overall performance of the Group remained stable.

Management Discussion and Analysis

As compared with the past years, the Group's operation and management improved throughout 2007, laying a solid foundation for its future development. During the year under review, the prices of commodities and raw materials in China continued to surge, resulting in a general increase in the cost of products of the manufacturing industry. In addition, due to the downward adjustment of the export tax rebate rate by the PRC Government and the continuous appreciation of Renminbi, the Group suffered from greater loss. Nevertheless, during the year under review, the Group was able to timely adjust its development strategy according to the situations and properly slowed its expansion progress down, while continuously explored overseas sales market. As a result, the effect induced by the unfavourable environment was mitigated. Thus, the Group was able to maintain its steady development.

In order to enhance its competitiveness, the Group actively upgraded its products during the year under review. It successfully transformed some of its products, increased the production of high-end products and enhanced the profitability of the Group. Meanwhile, the Group continued to expand its product range. The new series are expected to increase the sales of the Group in the coming years and further enhance the Group's profitability.

During the year under review, the Group achieved an encouraging progress in market expansion despite the difficult environment. The number of clients continued to increase. In particular, the Group has achieved breakthroughs in cooperation with world renowned tool brands. Orders from key clients continued to increase and have been placed for the coming years. Significant progress was also achieved in expansion to the internationally renowned chain stores. Currently, the Group's major clients include worldwide famous chain stores and leading distributors of power tools and air tools in the US and Europe, such as Bosch/Skil, Leroy Merlin, Orgill, Casterama, Kinfisher, Birgma, Lowe's and Truper. Following the continuous introduction of new products and the launch of high-end products, it is expected that the number of cooperation projects with each of the major clients will continue to increase and more brands will be attracted to cooperate with the Group.

The Group was affected internally in 2006, during which the overall market expansion of the Group was affected by the business development of its associate in Germany. The problem had been fully resolved during the year under review. A settlement agreement was entered into between the Group and its associate in Germany. Since then, the associate in Germany had been fully deconsolidated from the Group and will no longer bring adverse impact to the Group. The Group has been affected by the problem for sometime. The resolution of the problem cleared an obstacle for the development of the Group in future.

For the year ended 31 December 2007, the turnover and loss attributable to equity holder of the Company were HK$226,544,000 (2006: HK$233,571,000) and HK$88,546,000 (2006: HK$116,546,000) respectively. During the year under review, power tools remained the main source of revenue, accounting for 84%, while air tools, hand tools and other products accounted for 3% and 13% respectively (2006: power tools accounted for 85%, hand tools accounted for 2%, while other products accounted for 13%).

During the year under review, the Group continued to adopt a prudent business development strategy to mitigate the impact of the operation environment on the Group. During the year under review, the Group reasonably adjusted its product manufacturing and development strategy. It focused on the production of medium- to high-end products that are capable of resisting risks, and outsourced the production of low-end products to lower production cost. In 2007, the Group's proportion of self-production was maintained at 35%, while the proportion of outsourcing was maintained at 65% (2006: the proportion was 39% and 61%) respectively.

Facing a difficult environment and intense market competition, the Group increased its investment amount in its research and laboratory centre during the year. It has strengthened the training and technological exchanges among its technicians and engineers, and adopted a number of effective measures, in order to enhance the Group's overall development capacity.

During the year under review, relatively substantial amendments were made to the domestic labour employment law, and the requirements on employment conditions have became more stringent. However, since the Group has been complying with the national law, fully respecting the interests of the employees and actively improving their welfare, the amendments did not have any impact on the Group but, on the contrary, created a more stable workforce for the Group.

FINANCIAL REVIEW

Turnover and Profit Analysis

For the year ended 31 December 2007, the Group recorded an audited turnover of approximately HK$226,544,000, a decrease of 3% as compared to 2006. Loss attributable to shareholders was approximately HK$88,546,000 in 2007 (2006: HK$116,546,000).

The decrease in turnover was mainly due to the decrease in sales of HK$39,087,000 in Germany, however, the Group was able to increase sales by HK$37,498,000 from European customers. The low level of gross profit was due to the continuous increase in raw material prices, appreciation of Renminbi and impairment in inventory. During the year under review, the impairment loss in inventory amounted to HK$8,460,000 and the impairment loss in intangible assets amounted to HK$48,381,000.

Turnover Breakdown by Products and Geographical Locations

In terms of products, power tools were still the major income source for the Group. In 2007, the sales of power tools, air tools and hand tools and other products represented 84%, 3% and 13% of the Group's turnover respectively (2006: power tools 85%, air tools 2% and hand tools and other products 13%).

Geographically, Europe was still the major market of the Group. In 2007, the turnover proportion for the Group in Europe, Australia, North America and other markets was 85:2:13 (2006: 83:12:5).

During the year under review, other than the German market, in which a settlement agreement has been entered into between the Group and its former associate SBW, resulting in a decrease in sales in Germany, the sales in European markets grew steadily. The sales in Australian and the US markets remained stable, accounting for 15% of the total turnover.

Gross Profit and Profit Margin Analysis

For the year ended 31 December 2007, the Group's gross profit decreased from approximately HK$11,638,000 in 2006 to approximately HK$6,690,000. The low level of gross profit was mainly due to the continuous increase in the prices of commodity and raw materials, among which the increase in the prices of metals such as copper, iron, steel and nickel soared to their historic heights over the past years. The prices of rubber and other materials also stayed at high levels.

Liquidity Resource

At 31 December 2007, the Group's cash on hand was HK$28,215,000 (2006: HK$17,460,000). The long term and short term debts of the Group were HK$149,838,000 (2006: HK$143,841,000) in aggregate. The total debts increased by approximately HK$5,997,000 as compared with the year ended of 2006. As at 31 December 2007, the net debt to equity ratio was 143% (2006: 160%). The significant decrease in debt ratio was due to the increase in loan from a director.

Capital Expenditure

The Group's capital expenditure in 2007 was approximately HK$47.5 million (2006: HK$18.2 million), of which new equipment to comply with RoHS requirements amounted to HK$1.4 million (2006: HK$1.7 million), expenditure for development of mould amounted to HK$4.4 million (2006: HK$6.2 million) and R&D expenditure and licenses fee amounted to HK$3.4 million (2006: HK$4.1 million).

The major infrastructure of the Group's PRC production base was completed. There is no need to inject a great sum of capital for the construction of production plants in short term. The expected capital expenditure of the Group in 2008 will be approximately HK$10 million, of which expenses for development of mould amounted to HK$5 million and R&D expenses and licences fee amounted to HK$5 million.

Working Capital Analysis

For the year ended 31 December 2007, the Group's trade debtors' turnover days were 108 days (2006: 85 days). The account payables turnover days were 93 days (2006: 95 days) and the inventory turnover days were 40 days (2006: 54 days).

Shareholdings Structure

During the year, a total of 1,330,000 shares were issued pursuant to the exercise of the share options by the option holders of the Company. In addition, the Group has placed 74,000,000 new shares to an independent investor and issued 45,000,000 new shares as the consideration for an exclusive supply proposal. The total number of issued share capital was 494,970,000 shares (2006: 374,640,000 shares).

Pledge of Assets

The Group has pledged its building with net book values of approximately HK$179,000 (2006: nil) to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2007, the Group did not have any material contingent liabilities (2006: nil).

Exposure to Foreign Exchange Risks

The Group's income and expenses are mainly denominated in US dollars and RMB and partly in Euro. During the year under review, the appreciation of RMB increased the Group's operating cost and raw material costs.

Employee Benefits and Training

For the year ended 31 December 2007, the Group had approximately 562 employees, of which, 180 employees were management staff and 118 employees were engineers and the total staff cost (including directors' emoluments, amounted to approximately HK$12,871,000 (2006: HK$13,594,000).

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

PROSPECT

The operating environment will remain harsh, challenging and dynamic in future. Following the steady development over the past years, the Group will continue to strive for better development. In order to have sustainable business development, the Group continues to pay effort in market expansion and strengthen its existing strategic cooperation with the world renowned brands and chain stores. The Group will also be committed to expanding its client base and securing more orders to boost sales.

With a view to secure more orders under the existing cooperation projects with key clients and cater to the demand of the markets of medium- and high-end products, the Group will continue to implement strategies in product enhancement, so as to upgrade its products and effectively mitigate the market risks to which the Group is exposed. The Group can enhance its market competitiveness through the above measures. Meanwhile, in response to the changes in the operating environment and the enhancement of the internal product quality, the Group will adopt more reasonable and flexible production strategies to effectively expand the area in which the Group manufactures its proprietary high-end products and endeavour to meet the product standards as required by the European Union. Looking ahead, the Group will continue to pay close attention to new technology. It will pay effort in the study and collection of market information to maintain continuous development and innovation. Leveraging on the continuous upgrade of its products and increasing cooperation with world renowned brands, the Group is confident that its profitability will be further strengthened.

In the coming year, the Group's laboratory will strive to advance to a higher level - the national professional laboratory. It will further strengthen its close cooperation with the world renowned certification companies and attract more famous cooperation partners, so as to jointly conduct research and development of new and advanced products in the industry and enhance the market competitiveness of the Group.

In future, the Group will continue to seek improvement in areas such as market expansion, development of new products, product range and management efficiency. It will expedite its business development and strengthen its profitability. Meanwhile, the Group will also enhance its product quality, implement stringent cost control measures, strengthen innovation and transparency and continuously increase its efficiency in operation and management. The Group expects that the overall business performance will improve in 2008.

Corporate Governance Report

INTRODUCTION

The Company has applied with all requirements of the Code on Corporate Governance Practice ("CG Code") contained in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE CHART

The Board is committed to maintain a high standard of corporate governance for the purpose of enhancing long term shareholders value. Set out below is the corporate governance chart adopted by the Company.

Board
1. Ms. Chen Wai Yuk (Chairman)
2. Mr. Wang Shu (Managing Director/CEO)
3. Miss Chen Wai Wah (Executive Director)
4. Mr. Zheng Wei Chong (Executive Director)
5. Mr. Ho Hao Veng (Non-executive Director)
6. Mr. Wei Tong Li (Independent Non-executive Director)
7. Mr. Hui Chuen Fan, Matthew (Independent Non-executive Director)
8. Mr. Ang Siu Lun, Lawrence (Independent Non-executive Director)

Remuneration Committee
1. Mr. Ho Hao Veng (Chairman)
2. Ms. Chen Wai Yuk
3. Mr. Wei Tong Li
4. Mr. Hui Chuen Fan, Matthew
5. Mr. Ang Siu Lun, Lawrence

Nomination Committee
1. Mr. Ang Siu Lun, Lawrence (Chairman)
2. Mr. Wang Shu
3. Miss. Chen Wai Wah
4. Mr. Wei Tong Li
5. Mr. Hui Chuen Fan, Matthew

Audit Committee
1. Mr. Hui Chuen Fan, Matthew (Chairman)
2. Mr. Ho Hao Veng
3. Mr. Wei Tong Li
4. Mr. Ang Siu Lun, Lawrence

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

A.1 Board of Directors

The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic direction and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. The profiles of the directors, which are set out on pages 17 to 18, demonstrate a balance of skills and experience of the Board.

All directors were given an opportunity to contact the Company Secretary to include matters in the agenda for regular board meeting.

Notice of at least 14 days was given of a regular board meeting. For all other board meeting, reasonable notice will be given.

All minutes of Board meetings are recorded in sufficient details of the matters considered by the board and decisions reached. Draft and final versions of minutes of Board meetings were sent to all directors for their comment and record respectively within a reasonable time after the board meeting was held.

The Company has established the Policy on obtaining independent professional advice by directors to enable the directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be discussed by a Board meeting actually hold.

A.2 Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The Board appointed Ms. Chen Wai Yuk as the Chairman, who was responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues were discussed by the Board in a timely and constructive manner.

The Board appointed Mr. Wang Shu as the Managing Director, who was delegated with the overall management and corporate strategies as well as supervising the engineering and marketing functions of the Group.

A.3 Board Composition

The Board comprises four executive directors, being Ms. Chen Wai Yuk, Mr. Wang Shu, Miss Chen Wai Wah and Mr. Zheng Wei Chong, one non-executive director, being Mr. Ho Hao Veng and three independent non-executive directors, being Mr. Wei Tong Li, Mr. Hui Chuen Fan, Matthew and Mr. Ang Siu Lun, Lawrence. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the directors are shown on page 17 to 18 under the section of Directors and Senior Management.

All directors are expressly identified by categories of executive directors, non-executive director and independent non-executive directors, in all corporate communications that disclose the names of directors of the Company.

A.4 Appointments, Re-election and Removal

At each annual general meeting one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

Currently, all directors appointed to fill casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment. Every director (including the chairman and managing director), including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Chairman of a meeting and/or director who, individually or collectively, hold proxies in respect of the share representing 5% or more of the total voting rights shall demand a poll in certain circumstances where, on a show of hands, the meeting votes in the opposite manner to that instructed on those proxies. When a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by way of circulation of resolutions or by a committee but a board meeting should be held. Moreover, the Company in general meeting shall have power by ordinary resolution to remove any director before the expiration of his period of office.

According to the Articles of Association, Mr. Wang Shu, Mr. Ho Hao Veng and Mr. Wei Tong Li will retire from office as directors by rotation at the forthcoming annual general meeting and being eligible offer themselves for re-election. Pursuant to the article 112 of Existing Articles, Mr. Zheng Wei Chong will hold office until the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The Nomination Committee of the Company is responsible for identifying individual suitable to be a Board member and make recommendation to the Board from time to time. The main criteria in selecting a candidate are whether if he can add value to the management through his contributions in the relevant strategic business areas. The members of the Nomination Committee comprise two executive directors, being Mr. Wang Shu, Miss Chen Wai Wah and three independent non-executive directors, being Mr. Wei Tong Li, Mr. Hui Chuen Fan, Matthew and Mr. Ang Siu Lun, Lawrence. The Committee meets at least once per annum. During the year ended 31 December 2007, three meetings were held to review the Composition of the Board as well as to nominate two candidates for the positions of executive directors and one candidate for the replacement of company secretary, qualified accountant and chief financial officer.

A.5 Responsibilities of Directors

Every newly appointed director of the Company would receive an information package from the Company on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and ongoing obligations to be observed by a director. In addition, the package includes materials on the operations and business of the Company. The management of the Company conducted briefing on their responsibilities and obligations under the laws and applicable regulations such as Listing Rules and Company Ordinance as is necessary.

The Board has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. After specific enquiry with each directors, all directors confirmed that they are in compliance with the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2007.

A.6 Supply of and Access to Information

In respect of regular board and committee meetings, agendas and accompanying board papers were sent in full to all directors at least three days before the intended date of meetings.

The management and the Company Secretary assists the Chairman in establishing the meeting agenda and board papers, providing with adequate information in a timely manner to enable the board and committees in making decisions to the matters being discussed in the meetings. Each director may request inclusion of items in the agenda. The Board and each director may separately and independently access to the issuer's senior management.

Minutes of the Board/committees meetings are kept by the Company Secretary and are open for inspection by directors.

B.1 Remuneration of Directors and Senior Management

The Company had established a Remuneration Committee in 23 May 2006 with written terms of reference to review and determine the remuneration packages for all directors and Senior Management. 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 one executive director, being Ms. Chen Wai Yuk, one non-executive director, being Mr. Ho Hao Veng and three independent non-executive directors, being Mr. Wei Tong Li, Mr. Hui Chuen Fan, Matthew and Mr. Ang Siu Lun, Lawerence. The committee meets at least once per annum.

Normally, the remuneration package of directors and senior management of the Group are reviewed once a year and approved by the written resolutions signed by all members of the Remuneration Committee. The remuneration of directors and senior management was determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance. The Group's human resources division assists the Remuneration Committee by providing relevant remuneration data and market condition for the Committee's consideration. The Committee also has access to professional advice where necessary.

During the year ended 31 December 2007, three meetings were held to consider the remuneration of newly appointed executive directors and senior management. The Remuneration Committee also reviewed the remuneration package of each director and senior management of the Company.

C.1 Financial reporting

The Board presents a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Management of the Company provides such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2007, the directors have:

1. selected suitable accounting policies and applied them consistently;

2. approved adoption of all HKFRSs;

3. made judgments and estimates that are prudent and reasonable; and

4. prepared the accounts on the going concern basis.

Acknowledgement from the directors of their responsibility for preparing the accounts has been received.

A statement by the auditors about their reporting responsibilities is included in pages 26 to 27 of the 2007 Annual Report under the section Independent Auditor's Report.

The Company has announced its annual results in a timely manner after the end of the relevant period, as laid down in the Listing Rules.

C.2 Internal Controls

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

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

C.3 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 apply 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 one non-executive director, being Mr. Ho Hao Veng and three independent non-executive directors, being Mr. Wei Tong Li, Mr. Hui Chuen Fan, Matthew and Mr. Ang Siu Lun, Lawrence. They do not have a former partner of the Company's existing audit firm. They are specialists and experts in different fields such as investment, securities, financial and electronics. The Audit Committee assists the Board in providing an independent and objective review of the effectiveness of the financial reporting process, internal control and risk management system of the Group. It primarily aims to increase the Board's accountability, transparency and objectivity.

The Audit Committee had six meetings during the year. Full minutes of Audit Committee meetings will be kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the committee for their comment and records respectively, within a reasonable time after the meeting.

During the year ended 31 December 2007. The Audit Committee has reviewed along with the management and the Company's auditor about the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the year ended 31 December 2006 and the unaudited financial statements for the six months ended 30 June 2007. The issue of replacement of auditors of the Company has also been discussed.

D.1 Delegation by the Board

The Board is responsible for determining the overall strategy and approving the annual business plan of the Group, and ensuring the business operations are properly planned, authorized, undertaken and monitored. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decisions.

There should be a clear division of responsibilities for committees with specific terms of reference. The Board has delegated the day-to-day responsibilities to the executive management.

D.2 Board Committees

The Board has prescribed sufficiently clear terms of reference for the Audit Committee, the Remuneration Committee and the Nomination Committee. The terms of reference of those Committees require the committees to report back to the board on their decisions or recommendations.

E.1 Effective Communication

The Company endeavors to maintain good investor relationship with shareholders and potential investors by way of annual general meeting, publication of interim and annual reports, press releases on newspaper and the Company's website.

In respect of each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of the meeting. The Chairman of the Board will attend the annual general meeting and to be available to answer questions at the annual general meeting.

E.2 Voting by Poll

The chairman of a meeting will ensure disclosure in the Company's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in the Listing Rules.

The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting will demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting will disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.

The Company will count all proxy votes and, except where a poll is required, the chairman of a meeting will indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company will ensure that votes cast are properly counted and recorded.

The chairman of a meeting will at the commencement of the meeting ensure that an explanation is provided of:

a. the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and

b. the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

Attendance record at the meeting of the Board of Directors and specialized board committees held during the year ended 31 December 2007.

	Meetings attended/held in 2007			
Name and Designation	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director				
Ms. Chen Wai Yuk *(Chairman)*	18/18	–	1/3	–
Mr. Wang Shu *(CEO)*	18/18	–	–	3/3
Ms. Chen Wai Wah	18/18	–	–	3/3
Mr. Zheng Wei Chong	–	–	–	–
Non–executive Director				
Mr. Ho Hao Veng	13/18	4/6	3/3	–
Independent Non–executive Director				
Mr. Wei Tong Li	11/18	4/6	1/3	1/3
Mr. Hui Chuen Fan, Matthew	18/18	6/6	3/3	3/3
Mr. Ang Siu Lun, Lawrence	18/18	6/6	3/3	3/3
Average attendance rate	90%	83%	73%	87%

Directors and Senior Management

EXECUTIVE DIRECTORS

Chen Wai Yuk

Ms. Chen Wai Yuk, aged 41 is the founder and the Chairman of the Group. Ms Chen is principally responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues were discussed by the Board in a timely and constructive manner. Ms Chen graduated from National Chung-Hsing University in Taiwan with a bachelor's degree in business administration in 1991. In 1994, Ms Chen returned to Hong Kong and founded the Group in 1995. Ms Chen has over twelve years experience in power tool industry and has accumulated extensive experience in the administrative, marketing, financial and operational aspects of the Group. In 2002, Ms Chen received a reputable industry award - "Young Industrialist Awards of Hong Kong 2002" form the Federation of Hong Kong Industries. In 2008, Ms. Chen was elected as a member of Jiangsu Province CPPCC. Ms. Chen is the wife of Mr. Wang Shu.

Wang Shu

Mr. Wang Shu, aged 43, is the Managing Director of the Group. Mr. Wang is responsible for the overall management and corporate strategies as well as supervising the engineering and marketing functions of the Group. Mr. Wang graduated from Southeast University with a master's degree in microelectronics in 1992. Mr. Wang has written several theses articles published in a number of academic journals in the World including the Japanese Journal of Applied Physics, the Acta Electronic Sinica and the Journal of Electronics. Prior to joining the Group, Mr. Wang has over three years of experience in the design, manufacture and trading of power tools. Mr. Wang has been with the Group since it was found. Mr Wang has accumulated over fourteen years extensive experience in marketing, financial, fund management, strategic planning, project investment, product design, administration and management in power tool industry. Mr. Wang is the husband of Ms. Chen Wai Yuk.

Chen Wai Wah

Miss Chen Wai Wah, aged 44, is an Executive Director of the Group. Miss Chen is responsible for liaison and general administrative works. Prior to joining the Group in April 2002, Miss Chen has three years of experience in the shipping industry at the supervisor level, and two years of experience in the insurance industry with managerial position. Miss Chen is a sister of Ms. Chen Wai Yuk.

Zheng Wei Chong

Mr. Zheng Wei Chong, aged 40, is an Executive Director of the Group. Mr. Zheng holds a bachelor of law degree from the China University of Political Science and Law. Prior to joining the Group in November 2007, Mr. Zheng has more than 10 years of management experience in various business sectors.

NON-EXECUTIVE DIRECTOR

Ho Hao Veng

Mr. Ho Hao Veng, aged 61, was appointed as an Independent Non-executive Director of the Group in April 2002 and was re-designated as a Non-executive Director of the Group in September 2005. Mr. Ho graduated from Queen's University, Ontario, Canada with a bachelor's degree in applied science and has held a securities dealer since 1975. Mr. Ho has been an Executive Director of some companies of the Keuntai Group since 1971 and is mainly responsible for the overall management and operations of the fund management sector with a focus on equity markets and international foreign exchange markets, real estate development and property investment sectors. Mr. Ho is also a director of Tai Fung Bank Limited, Macau since June 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wei Tong Li

Mr. Wei Tong Li, aged 73, was appointed as an Independent Non-executive Director of the Group in April 2002. Mr. Wei is an academic specialized in electronics engineering. Mr. Wei was a professor of electronics engineering in Southeast University and has received a number of awards from various PRC government departments for his scientific achievements in microelectronics. From 1990 to 2000, Mr. Wei was the head of Microelectronic Center of Southeast University Professional Teaching Instructing Committee. Mr. Wei was responsible for planning, administration and formulation of large-scale scientific research projects including the financial review and funding approval of these projects. Mr Wei acted as a member of Evaluation Committee for the Appointment of Physics Professors in Southeast University. He was a member of the Professional Educational Committee for National Industrial Electronics and the Sub-committee for Semiconductor and Professional Integrated Technology of the PRC Electronic Society. Mr. Wei was also appointed as member of the Sixth and Seventh Academic Courses Review Committee of the National Natural Science Fund. Mr. Wei received a number of awards for his achievements in microelectronics education such as the National Outstanding Teachers Award. As an academic, Mr. Wei published a number of post-graduate textbooks in the field of microelectronics, including Integrated Circuit for Semiconductors in 1980, Mathematical Models for Integrated Microelectronics in 1981 and Computer Simulations on Semiconductors in 1989.

Hui Chuen Fan, Matthew

Mr. Hui Chuen Fan, Matthew, aged 42, was appointed as an Independent Non-executive Director of the Group in September 2004. Mr. Hui is a Certified Public Accountant (Practising). Mr. Hui is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Hui has over twenty years of experience in auditing, taxation and accounting and has served as senior management in several audit firms in Hong Kong. He is currently an Executive Director of an audit firm and a consulting company in Hong Kong.

Ang Siu Lun, Lawrence

Mr. Ang Siu Lun, Lawrence, aged 47, was appointed as an Independent Non-executive Director of the Group in September 2005. Mr. Ang holds a Bachelor of Science degree in Physics and Computer Science and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Ang is currently an Executive Director of Geely Automobile Holdings Limited, a publicly listed companies in Hong Kong. Mr. Ang previously worked in a number of major international investment banks for eighteen years with expensive experience in equity research, investment banking and financial analysis.

SENIOR MANAGEMENT

Liu Hoi Keung

Mr. Liu Hoi Keung, aged 43, is the Chief Financial Officer of the Group. Mr. Liu received his Master of Science Degree from the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Company, he had served as Director and Company Secretary of another listed company in Hong Kong for more than 10 years. Mr. Liu also has more than 9 years experience working in international accounting firms.

Directors and Senior Management

Wan Ji Ming

Mr. Wan Ji Ming, aged 39, is the Director of Technique Global operation center of the Group and Vice President of Golden Harbour. Mr. Wan is responsible for the technical aspect of the factory and to supervise the design and production of power tool products. Mr. Wan graduated from the Jiangsu Industry College with a bachelor's degree of mechanical engineering. Mr. Wan has over eleven years of experience in the power tool industry. Mr. Wan is experienced in product design and production management. Mr. Wan is also specialized in bringing local Chinese management philosophy into effective. Mr. Wan joined the Group in December 2001.

Zhao Xiao Yan

Zhao Xiao Yan, aged 37, is the Senior Manager of sales operations of the Group and is responsible for the sales and procurement of the Group. Ms. Zhao graduated from Nanjing City Television Broadcasting University with a bachelor's degree in foreign trade economics and English in 1994. Ms Zhao has accumulated eleven years experiences in customers services, engineering sales and marketing in power tools industry. Ms. Zhao jointed the Group in 1995.

Chu Kin Ming

Mr. Chu Kin Ming, aged 28, is the Financial Controller of the Group. He is a member of the Association of Chartered Certified Accountants. He graduated from The Hong Kong Polytechnic University with a bachelors degree in accounting. Prior to joining the Company, he had 5 years experience working in international accounting firms.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2007 are set out in the consolidated income statement on page 28.

The Directors do not recommend the payment of a dividend for the year.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for approximately 55% and 64% respectively of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for approximately 53% and 77% respectively of the Group's total turnover for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have a beneficial interest in any of the Group's five largest customers or suppliers during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, as at 31 December 2007, the Company's reserves available for distribution amounted to HK$241,744,000 which represented the difference between share premium of HK$243,875,000 and accumulated losses of HK$2,131,000.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Ms. Chen Wai Yuk *(Chairman)*
Mr. Wang Shu *(Managing Director)*
Ms. Chen Wai Wah
Mr. Zheng Wei Chong (appointed on 20 November 2007)
Mr. Yao Ke Ming (appointed on 20 November 2007 and resigned on 6 December 2007)

Non-executive Director:

Mr. Ho Hao Veng

Independent non-executive Directors:

Mr. Wei Tong Li
Mr. Hui Chuen Fan, Matthew
Mr. Ang Siu Lun, Lawrence

In accordance with the Article 108 of the Company's Articles of Association, Mr. Wang Shu, Mr. Ho Hao Veng and Mr. Wei Tong Li will retire by rotation at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election. Pursuant to the article 112 of the Company's Articles of Association, Mr. Zheng Wei Chong will held office only until the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The term of office of each Independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code of Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

(a) Long positions in the shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Ms. Chen Wai Yuk	Held by a controlled corporation	137,156,000 (a)	27.71%
Mr. Wang Shu	Held by spouse	137,156,000 (b)	27.71%
Mr. Ho Hao Veng	Beneficially held	10,000,000	2.02%

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

(b) Mr. Wang Shu is deemed to be interested in 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.

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

(b) Share options

Particulars of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

The following table discloses movements during the year in the share options granted to the Company's directors:

	Outstanding at beginning of year	Exercised during year	Outstanding at end of year
Directors			
Ms. Chen Wai Yuk	330,000	–	330,000
Mr. Wang Shu	330,000	–	330,000
Miss Chen Wai Wah	330,000	–	330,000
Mr. Ho Hao Veng	330,000	–	330,000
Mr. Wei Tong Li	330,000	–	330,000
Mr. Hui Chuen Fan, Matthew	330,000	(330,000)	–
Mr. Ang Siu Lun, Lawrence	330,000	–	330,000
	2,310,000	(330,000)	1,980,000

These options were granted by the Company 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.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries 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.

MANAGEMENT CONTRACT

During the year, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed above in the section headed "Directors' interests in shares and underlying shares" at 31 December 2007, 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
Mr. Qi Dong Ping	Held by controlled corporation (a)	71,200,000	14.38%
Ms. Shen Ling Zhao	Beneficial	70,148,000	14.17%
Ms. Yu Hai Hong	Held by controlled corporation (b)	45,000,000	9.09%

Note:

(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 31 December 2007, 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 37 to the consolidated financial statements.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2007.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

AUDITOR

Messrs. Deloitte Touche Tohmatsu had been the auditor of the Company for three years until its resignation on 17 July 2007. The Company appointed Messrs. CCIF CPA Limited ("CCIF") as auditor of the Company to fill the causal vacancy created by the resignation of Messrs. Deloitte Touche Tohmatsu. Subsequently, CCIF resigned as auditor of the Company on 5 February 2008 and that the Company appointed Messrs. Deloitte Touche Tohmatsu again to fill the causal vacancy created by the resignation of CCIF and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

On behalf of the Board

Chen Wai Yuk
Chairman

25 April 2008

Independent Auditor's Report

Deloitte.
德勤

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35/F One Pacific Place
88 Queensway
Hong Kong

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

We have audited the consolidated financial statements of Wang Sing International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 76, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

As explained in note 21 to the consolidated financial statements, in May 2007 the Group entered into a settlement agreement in order to, among other things, dispose of its entire equity interest in an associate and to recover the shareholder's loan to the associate. The disposal was completed on 14 August 2007 and accordingly, the Group recognised a gain on disposal of the associate of HK$1,367,000 and a reversal of the allowance for the amounts receivable from the associate of HK$5,063,000 for the year ended 31 December 2007. The Group did not account for its share of result of the associate up to the date of disposal as management of the associate did not allow the Group to gain full access to the books and records of the associate since January 2007. For the year ended 31 December 2006, the Group's share of loss of the associate amounting to approximately HK$2,563,000 was recognised based on the unaudited management accounts of the associate. As we were unable to perform any procedures to assess whether these management accounts are free of material misstatement, our audit opinion on the consolidated financial statements for the year ended 31 December 2006 was qualified accordingly. In the absence of any financial information of the associate being provided by the management of the associate since January 2007, we were unable to perform any procedures to assess whether the share of result of the associate, gain on disposal of the associate and the reversal of allowance for the amounts receivable from the associate recognised in the year ended 31 December 2007 were fairly stated. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the amounts referred to above were free from material misstatement. Any adjustments found to be necessary would affect the Group's net assets as at 31 December 2006 and the Group's loss for the years ended 31 December 2006 and 2007.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient information concerning the matters as described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	8	**226,544**	233,571
Cost of sales		**(219,854)**	(221,933)
Gross profit		**6,690**	11,638
Other income	10	**11,790**	6,717
Selling and distribution expenses		**(15,417)**	(17,388)
Administrative expenses		**(39,176)**	(44,920)
Impairment loss recognised in respect of property, plant and equipment	11	**(4,192)**	(7,451)
Impairment loss recognised in respect of intangible assets	11	**(48,381)**	(6,689)
Impairment loss recognised in respect of goodwill included in interest in an associate	21	**–**	(9,798)
Reversal (recognition) of allowance for amounts receivable from an associate	21	**5,063**	(39,713)
Gain on disposal of an associate	21	**1,367**	–
Finance costs	14	**(8,237)**	(7,329)
Share of loss of an associate		**–**	(2,563)
Loss before taxation		**(90,493)**	(117,496)
Taxation	15	**1,947**	950
Loss for the year	16	**(88,546)**	(116,546)
Attributable to:			
Equity holders of the Company		**(88,546)**	(116,546)
Minority interest		**–**	–
		(88,546)	(116,546)
Loss per share			
– basic (HK cents)	17	**22.2**	31.1

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	18	**131,401**	135,740
Prepaid lease payments	19	**950**	680
Intangible assets	20	**2,679**	12,407
Interest in an associate	21	**–**	–
		135,030	148,827
Current assets			
Inventories	22	**19,308**	28,970
Trade and other receivables	23	**89,404**	86,270
Deposits and prepayments		**41,094**	21,020
Prepaid lease payments	19	**121**	21
Bank balances and cash	24	**28,215**	17,460
		178,142	153,741
Current liabilities			
Trade and other payables	25	**73,894**	72,043
Deposits and accrued expenses		**4,582**	4,857
Bank borrowings	26	**119,997**	134,670
Amounts due to directors	27	**–**	3,671
Tax payable		**–**	2,701
		198,473	217,942
Net current liabilities		**(20,331)**	(64,201)
Total assets less current liabilities		**114,699**	84,626

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	28	**49,497**	37,464
Reserves		**35,361**	41,662
Total equity		**84,858**	79,126
Non-current liabilities			
Amount due to a director	27	**19,162**	–
Other borrowings	29	**10,679**	5,500
		29,841	5,500
		114,699	84,626

The consolidated financial statements on pages 28 to 76 were approved and authorised for issue by the Board of Directors on 25 April 2008 and are signed on its behalf by:

Mr. Wang Shu
Director

Ms. Chen Wai Yuk
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 January 2006	37,464	88,444	–	800	1,665	710	63,193	192,276
Exchange gain on translation of overseas operations recognised directly in equity	–	–	–	–	3,326	–	–	3,326
Loss for the year	–	–	–	–	–	–	(116,546)	(116,546)
Total recognised income and expenses for the year	–	–	–	–	3,326	–	(116,546)	(113,220)
Recognition of equity-settled share based payments	–	–	70	–	–	–	–	70
At 31 December 2006	37,464	88,444	70	800	4,991	710	(53,353)	79,126
Exchange gain on translation of overseas operations recognised directly in equity	–	–	–	–	6,233	–	–	6,233
Release upon disposal of an associate	–	–	–	–	312	–	–	312
Loss for the year	–	–	–	–	–	–	(88,546)	(88,546)
Total recognised income and expenses for the year	–	–	–	–	6,545	–	(88,546)	(82,001)
Share issued	11,900	77,250	–	–	–	–	–	89,150
Transaction costs directly attributable to issue of shares	–	(1,814)	–	–	–	–	–	(1,814)
Recognition of equity-settled share based payments	–	–	131	–	–	–	–	131
Issue of ordinary shares upon exercise of share options	133	195	(62)	–	–	–	–	266
At 31 December 2007	**49,497**	**164,075**	**139**	**800**	**11,536**	**710**	**(141,899)**	**84,858**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

The merger reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under the group reorganisation on 11 April 2002.

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

Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after taxation, prepared in accordance with the PRC statutory requirements, an amount to the reserve fund and expansion fund according to the decision of the Board of Directors or the Articles of Association of the enterprises.

The reserve fund is used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances.

The expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(90,493)	(117,496)
Adjustments for:		
Share-based payment expense	131	70
Share of loss of an associate	–	2,563
Amortisation of intangible assets	2,337	1,837
Depreciation of property, plant and equipment	15,605	12,914
Release of prepaid lease payments	121	21
Loss (gain) on disposal of property, plant and equipment	89	(176)
Gain on disposal of an associate	(1,367)	–
Unrealised profit on sales to an associate	–	(635)
Allowances for other receivables	320	10,144
Allowances for trade receivables	3,247	–
Interest income from an associate	–	(263)
Interest income from banks	(550)	(169)
Finance costs	8,237	7,329
Impairment loss recognised in respect of property, plant and equipment	4,192	7,451
Impairment loss recognised in respect of intangible assets	48,381	6,689
Impairment loss recognised in respect of goodwill included in interest in an associate	–	9,798
(Reversal) recognition of allowance for amounts receivable from an associate	(5,063)	39,713
Allowance for obsolete and slow moving inventories	8,460	5,769
Operating cash flows before movements in working capital	(6,353)	(14,441)
Decrease in inventories	3,340	2,514
Increase in trade and other receivables	(6,465)	(12,728)
(Increase) decrease in deposits and prepayments	(18,523)	8,864
Decrease in trade receivables from an associate	–	1,212
Decrease in trade and other payables	(3,466)	(13,951)
(Decrease) increase in deposits and accrued expenses	(633)	1,575
Cash used in operations	(32,100)	(26,955)
PRC land appreciation tax paid	(754)	–
NET CASH USED IN OPERATING ACTIVITIES	(32,854)	(26,955)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(6,754)**	(14,114)
Purchase of intangible assets and development costs paid	**(3,409)**	(4,063)
Advance to an associate	**–**	(804)
Repayment from an associate	**10,130**	–
Proceed on disposal of an associate	**1,679**	–
Proceeds on disposal of property, plant and equipment	**–**	2,329
Interest received from banks	**550**	169
Prepaid lease payments paid	**(491)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,705**	(16,483)
FINANCING ACTIVITIES		
New bank borrowings raised	**119,997**	119,681
Repayments of bank borrowings	**(144,609)**	(123,012)
Other borrowings raised	**10,679**	5,500
Repayments of other borrowings	**(5,500)**	–
Advance from directors	**18,845**	3,671
Repayment to directors	**(3,671)**	–
Decrease in pledged bank deposits	**–**	2,491
Proceeds from issue of new shares (net of cost directly attributable to issue of shares)	**50,252**	–
Interest paid	**(7,920)**	(7,329)
NET CASH FROM FINANCING ACTIVITIES	**38,073**	1,002
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,924**	(42,436)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**17,460**	61,140
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,831**	(1,244)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**28,215**	17,460

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

The Company is a listed public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries set out in note 38. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The functional currency of the Company is United States Dollars ("USD"), and the consolidated financial statements are presented in Hong Kong dollars ("HKD").

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has net current liabilities of approximately HK$20,331,000 as at 31 December 2007. The consolidated financial statements have been prepared on a going concern basis because the Directors believe that the Group has sufficient funds to finance its current working capital requirements taking into account of the banking facilities and shareholder's loan, as set out below.

Subsequent to the balance sheet date, the Group obtained shareholder's loans amounting to HK$27,500,000 which will be repayable in 2010 and a bank loan facility of HK$7,700,000 which will be repayable in 2009. Furthermore, the Group had received a letter of approval from another bank indicating the bank will grant a bank loan facility of HK$22,000,000. In the opinion of the directors, the shareholder's loan and the available banking facilities will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards 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]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

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 1 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 of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Goodwill *(Continued)*

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1 January 2006 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Construction in progress

Construction in progress represents buildings, plant and machinery under construction for its own use purposes and is stated at cost. Costs comprise direct and indirect costs of acquisition or construction. Completed items are transferred from construction in progress to proper categories of property, plant and equipment when they are ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land, the title of which is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. HKD) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other schemes managed by the PRC government are charged as an expense as they fall due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant assets is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets comprise mainly loans and receivables. The accounting policies adopted are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables (including trade receivables, other receivables, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policies on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the financial assets might be impaired.

Objective evidence of impairment includes:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Other financial liabilities

Other financial liabilities including trade payables, other payables, amounts due to directors, bank borrowings and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial assets, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to suppliers

Share options granted in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment is made to equity (share options reserve).

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment on property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets, are carried at cost less accumulated amortization and accumulated impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment and intangible assets, hence, involved consideration of the value in use. The cash flows used in the calculation are consistent with the most up-to-date budgets and plans formally approved by management and are based on reasonable and supportable assumptions. The discount rate of 9.0% is used and in management's view, represents the rate that the market would expect on an investment of equivalent risk. To the extent that the carrying amount exceeds the recoverable amount, an impairment loss has been recognised in respect of the affected property, plant and equipment and intangible assets. Details of the impairment recognised are set out in note 11.

Deferred taxation

As at 31 December 2007, the Group has not recognised any deferred tax assets in the consolidated balance sheet in relation to unused tax losses of certain group entities. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material deferred tax asset may be recognised, which would be credited to the consolidated income statement for the year. Details of unused tax losses not recognised amounted to approximately HK$132,865,000 (2006: HK$69,700,000) as disclosed in note 30.

Allowances for bad and doubtful debts

The policy of allowances for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of debts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the age of debts and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

During the year ended 31 December 2006, full allowances had been made against the trade receivables, loan receivable and dividend receivable from a then associate. In May 2007, a settlement agreement was entered into among the relevant parties, details of which are set out in note 21. If the financial condition of the associate is improved in the future and the associate agrees to repay to outstanding debts, the allowances for doubtful trade debts previously charged to consolidated income statement will be reversed in the following period based on the cash eventually received from the associate.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of debts (include the bank borrowings, other borrowings and amount due to a director) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital on a regular basis. Based on recommendations of the directors, the Group will balance its overall capital structure through issues of new shares and share buy-backs as well as the issue of new debts or repayment of existing debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 HK$'000	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**158,251**	124,332
Financial liabilities		
Financial liabilities measured at amortised cost	**223,732**	215,884

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a director, bank borrowings and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk management

The functional currencies of the Group's principal subsidiaries are United States dollars and Renminbi. While most of the Group's operations are transacted in the functional currencies of the respective group entities, the Group undertakes certain transactions denominated in foreign currencies. The Group currently has not formulated any hedging policies against its exposure to currency risk. Yet, the Group still manages its foreign currency risk by closely monitoring movements of foreign currency exchange rates.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk management (Continued)

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies other than functional currencies of the relevant group entities at the balance sheet dates are as follow:

	2007 **HK$'000**	2006 HK$'000
Assets		
Renminbi ("RMB")	**973**	128
United States dollars ("US$")	**448**	307
Euro ("EUR")	**114**	3,395
Hong Kong dollars ("HK$")	**1,345**	4,015
Liabilities		
RMB	**6,254**	2,950
US$	**24,128**	11,658
EUR	**8,583**	998

Management monitors foreign exchange exposure as stated above and will consider hedging significant foreign currency exposure should the need arises.

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Management considers that the Group does not expose to significant foreign currency risk as majority of its transactions are denominated in functional currency of the relevant group entities. Therefore, there were only insignificant balances of financial assets and liabilities denominated in currencies other than the functional currency of the relevant group entities at the balance sheet dates as disclosed above. A 5 per cent increase or decrease in foreign currencies against the functional currencies of the relevant group entities would not have a significant effect on the consolidated income statement of the Group.

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to the fixed-rate other borrowing (see note 29 for details). The Group has not used any derivative contracts to hedge these exposure to interest rate risk.

The Group's cash flow interest rate risk primarily relates to its bank balances, bank loans and amount due to a director. Bank balances, bank loans and amount due to a director at variable rates expose the Group to cash flow interest-rate risk. Details of the Group's bank balances, bank borrowings and amount due to a director are disclosed in notes 24, 26 and 27, respectively.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Management consider the interest rate risk arising on financial instruments is insignificant.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors is the carrying amount of the respective financial assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with good reputation.

The Group has a customer whose outstanding trade receivable represents approximately 72% (2006: 49%) of the total receivables of the Group as at 31 December 2007 which expose the Group to the concentration of credit risk on this single counterparty. Other than that, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

The Group reviews the recoverable amounts of these amounts on regular basis and an allowance for doubtful debt is made where there is an identified loss.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank and other borrowings and amount due to a director and ensures compliance with loan covenants. As disclosed in note 2, the Directors of the Company believe that the Group has sufficient funds to finance its current working capital requirements taking into account of the banking facilities and sharesholders' loan.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flow	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As 31 December 2007							
Trade and other payables	**–**	**35,821**	**16,104**	**21,969**	**–**	**73,894**	**73,894**
Bank borrowings	**6.1%**	**19,933**	**80,729**	**22,357**	**–**	**123,019**	**119,997**
Other borrowings	**7.3%**	**–**	**–**	**–**	**10,992**	**10,992**	**10,679**
Amount due to a director	**7.0%**	**–**	**–**	**–**	**21,689**	**21,689**	**19,162**
		55,754	**96,833**	**44,326**	**32,681**	**229,594**	**223,732**
At 31 December 2006							
Trade and other payables	–	40,439	15,617	15,987	–	72,043	72,043
Amounts due to directors	–	–	–	3,671	–	3,671	3,671
Bank borrowings	5.7%	36,421	18,137	84,954	–	139,512	134,670
Other borrowings	6.0%	–	–	–	6,133	6,133	5,500
		76,860	33,754	104,612	6,133	221,359	215,884

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and other financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

8. TURNOVER

Turnover represents the amounts received and receivable for sales of power tools, air tools, hand tools and other products to outside customers, less return and allowances during the year.

9. SEGMENT INFORMATION

Geographical segments

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:

	2007	2006
	HK$'000	HK$'000
Turnover		
Europe		
Germany	**3,734**	42,821
Other European countries	**189,675**	152,177
Total	**193,409**	194,998
Australia	**4,814**	27,493
North America and other continents	**28,321**	11,080
Total	**226,544**	233,571
Segment results		
Europe		
Germany	**347**	(17,219)
Other European countries	**5,812**	7,832
Total	**6,159**	(9,387)
Australia	**(621)**	(87)
North America and other continents	**1,152**	282
Total	**6,690**	(9,192)
Unallocated corporate income	**18,220**	6,717
Unallocated corporate expenses	**(107,166)**	(105,129)
Finance costs	**(8,237)**	(7,329)
Share of loss of an associate	**–**	(2,563)
Loss before taxation	**(90,493)**	(117,496)
Taxation	**1,947**	950
Loss for the year	**(88,546)**	(116,546)

9. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

	2007 HK$'000	2006 HK$'000
Segment assets		
Europe		
Germany	–	9,260
Other European countries	**60,999**	17,835
Total	**60,999**	27,095
Australia	–	2,633
North America and other continents	**21,296**	30,058
Segment assets	**82,295**	59,786
Unallocated assets	**230,877**	242,782
	313,172	302,568
Segment liabilities		
Europe		
Germany	–	4,210
Other European countries	**11,063**	11,980
Total	**11,063**	16,190
Australia	–	4
North America and other continents	**88**	529
Segment liabilities	**11,151**	16,723
Unallocated liabilities	**217,163**	206,719
	228,314	223,442

Other information:

Allowances for trade receivables of HK$3,247,000 are attributable to the customers located in other European countries. The amount of allowance for the year ended 31 December 2006 of HK$20,830,000 is related to trade receivables due from an associate of the Group and is located in Germany.

No analysis of capital expenditure, depreciation and amortisation and non-cash expenses by location of customers is disclosed for both years as in the opinion of the Directors, there is no appropriate basis in allocating the capital expenditure, depreciation and amortisation and other non-cash expenses by location of customers.

9. SEGMENT INFORMATION *(Continued)*

Business segments

As the secondary segment, the Company has been organised into three major business operations: sales of power tools, air tools and hand tools.

Segment information about these businesses is presented below:

	Turnover by business segments	
	2007	2006
	HK$'000	HK$'000
Sales of power tools	**190,031**	198,705
Sales of air tools	**7,172**	5,142
Sales of hand tools	**9,910**	10,257
Others products	**19,431**	19,467
	226,544	233,571

The following is an analysis of the carrying amount of segment assets and additions to intangible assets and property, plant and equipment by business segments:

	Carrying amount of segment assets		Additions to intangible assets and property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sales of power tools	**215,571**	147,403	**47,479**	17,178
Sales of air tools	**7,888**	9,775	**551**	807
Sales of hand tools	**6,939**	15,754	**–**	–
Other products	**106**	2,191	**–**	–
	230,504	175,123	**48,030**	17,985
Unallocated	**82,668**	127,445	**383**	192
	313,172	302,568	**48,413**	18,177

10. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Other income includes:		
Gain on disposal of property, plant and equipment	–	176
Interest income from banks	550	169
Interest income from an associate	–	263
Reversal of bad debt written off in prior years	3,297	–
Exchange gain	1,794	3,159

11. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2007 HK$'000	2006 HK$'000
Impairment loss recognised in respect of:		
Property, plant and equipment (note 18)	4,192	7,451
Intangible assets		
– Development costs (note 20)	2,465	5,500
– Patents, trademark, licences and manufacture know-how (note 20)	8,566	1,189
– Exclusive supply right (note 20)	37,350	–
	48,381	6,689

During the year, the Directors of the Company reviewed the carrying amounts of the assets of the Group. In light of the current market conditions and the change of production plan, the Directors identified that certain plant and machinery were impaired as at 31 December 2007. Accordingly, an impairment loss of HK$4,192,000 (2006: HK$7,451,000) in respect of such assets has been recognised in the consolidated income statement for the year.

Furthermore, the Directors of the Company identified that certain development costs, patents, trademarks, license, manufacture know-how and exclusive supply right were impaired. Details are set out in note 20.

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2006: seven) directors were as follows:

Year ended 31 December 2007

	Executive Directors				Non-executive Director	Independent non-executive Directors			
	Ms. Chen Wai Yuk	Mr. Wang Shu	Ms. Chen Wai Wah	Mr. Zheng Wei Chong	Mr. Ho Hao Veng	Mr. Wei Tong Li	Mr. Hui Chuen Fan, Matthew	Mr. Ang Siu Lun, Lawrence	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	–	40	100	20	120	120	400
Other emoluments:									
Salaries and other benefits	1,028	124	248	–	–	–	–	–	1,400
Contributions to retirement benefits scheme	12	6	12	–	–	–	–	–	30
Total emoluments	1,040	130	260	40	100	20	120	120	1,830

Year ended 31 December 2006

	Executive Directors			Non-executive Director	Independent non-executive Directors			
	Ms. Chen Wai Yuk	Mr. Wang Shu	Ms. Chen Wai Wah	Mr. Ho Hao Veng	Mr. Wei Tong Li	Mr. Hui Chuen Fan, Matthew	Mr. Ang Siu Lun, Lawrence	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	–	100	20	100	120	340
Other emoluments:								
Salaries and other benefits	880	130	260	–	–	–	–	1,270
Contributions to retirement benefits scheme	10	6	12	–	–	–	–	28
Share-based payments	4	4	4	4	4	4	4	28
Total emoluments	894	140	276	104	24	104	124	1,666

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2006: two) were Directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**2,900**	2,218
Contributions to retirement benefits scheme	**112**	99
Total emoluments	**3,012**	2,317

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
Not exceeding HK$1,000,000	**1**	2
HK$1,000,000 to HK$1,500,000	**2**	1
	3	3

During the years ended 31 December 2007 and 2006, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during the years ended 31 December 2007 and 2006.

14. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**4,867**	6,956
Other borrowings	**3,053**	373
Amount due to a director	**317**	–
	8,237	7,329

15. TAXATION

	2007 HK$'000	2006 HK$'000
Current tax		
Overprovision of overseas income tax in prior years	**(1,947)**	–
Overprovision of land appreciation tax ("LAT") in the PRC	**–**	(950)
	(1,947)	(950)

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.

Details of deferred taxation are set out in note 30.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
Loss before taxation	**(90,493)**	(117,496)
Tax at PRC income tax rate of 33% (2006: 33%)	**(29,863)**	(38,774)
Tax effect of expenses not deductible for tax purpose	**25,887**	46,611
Tax effect of income not taxable for tax purpose	**(16,868)**	(12,900)
Tax effect of tax losses not recognised	**20,844**	4,911
Tax effect of share of loss of an associate	**–**	11
Effect of tax exemption granted to a Macau subsidiary	**–**	141
Overprovision in respect of prior years	**(1,947)**	(950)
	(1,947)	(950)

16. LOSS FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**15,605**	12,914
Amortisation of intangible assets (included in cost of sales)	**2,337**	1,837
Release of prepaid lease payments	**121**	21
Directors' emoluments (note 12)	**1,830**	1,666
Other staff costs	**11,041**	11,928
Total staff costs	**12,871**	13,594
Auditors' remuneration	**1,649**	1,305
Research and development expenditure	**–**	893
Allowances for trade receivable (included in administrative expenses)	**3,247**	–
Allowances for other receivables (included in administrative expenses)	**320**	10,144
Cost of inventories recognised as expenses	**211,394**	216,164
Allowance for obsolete and slow moving inventories (included in cost of sales)	**8,460**	5,769
Loss on disposal of property, plant and equipment	**89**	–

17. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$88,546,000 (2006: loss of HK$116,546,000) and on the weighted average number of ordinary share in issue of 398,772,000 (2006: 374,640,000) shares in issue. The computation of diluted loss per share for the year ended 31 December 2007 and 2006 does not assume the exercise of potential ordinary shares as their exercise would result in reduction in loss per share for the year ended 31 December 2007 and 2006.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 January 2006	57,070	2,133	73,462	18,030	7,680	2,743	2,876	163,994
Exchange adjustments	2,005	74	2,581	116	56	57	93	4,982
Additions	309	2,018	3,870	6,184	850	727	156	14,114
Disposals	(1,439)	(1,054)	(22)	–	(498)	–	(1,118)	(4,131)
Transfer	1,068	(1,068)	–	–	–	–	–	–
At 31 December 2006	59,013	2,103	79,891	24,330	8,088	3,527	2,007	178,959
Exchange adjustments	4,304	153	5,828	460	542	169	131	11,587
Additions	1,227	119	650	4,371	372	15	–	6,754
Disposals	(112)	–	(19)	(15)	(24)	(107)	–	(277)
Transfer	784	(2,375)	812	–	779	–	–	–
At 31 December 2007	**65,216**	**–**	**87,162**	**29,146**	**9,757**	**3,604**	**2,138**	**197,023**
DEPRECIATION AND IMPAIRMENT LOSS								
At 1 January 2006	3,590	–	8,016	4,282	5,277	1,375	1,600	24,140
Exchange adjustments	126	–	428	45	18	30	45	692
Charge for the year	275	–	4,503	5,780	1,424	445	487	12,914
Impairment loss recognised in the consolidated income statement	–	–	3,818	3,633	–	–	–	7,451
Elimination on disposals	(562)	–	(2)	–	(459)	–	(955)	(1,978)
At 31 December 2006	3,429	–	16,763	13,740	6,260	1,850	1,177	43,219
Exchange adjustments	306	–	1,488	424	414	79	83	2,794
Charge for the year	1,552	–	7,238	5,358	747	385	325	15,605
Impairment loss recognised in the consolidated income statement	–	–	4,192	–	–	–	–	4,192
Elimination on disposals	(112)	–	(6)	(5)	(9)	(56)	–	(188)
At 31 December 2007	**5,175**	**–**	**29,675**	**19,517**	**7,412**	**2,258**	**1,585**	**65,622**
CARRYING VALUES								
At 31 December 2007	**60,041**	**–**	**57,487**	**9,629**	**2,345**	**1,346**	**553**	**131,401**
At 31 December 2006	55,584	2,103	63,128	10,590	1,828	1,677	830	135,740

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the unexpired term of the relevant lease, or 20 years if shorter
Plant and machinery	10%
Moulds	20%
Leasehold improvements, furniture and fixtures	20 – 33$^{1}/_{3}$%
Computer equipment	20%
Motor vehicles	20 – 33$^{1}/_{3}$%

All the Group's buildings are situated on the land under medium-term lease outside Hong Kong.

During the year, the Directors identified that some of the Group's manufacturing assets were impaired due to certain products ceased for production in 2007. Accordingly, an impairment loss of HK$4,192,000 (2006: HK$7,451,000) has been recognised in respect of plant and machinery, which are used in the Group's air tools segment. The recoverable amounts of the relevant assets have been determined based on value in use calculation. The discount rate in measuring the amounts of value in use was 9.0%.

19. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments comprise property interests in medium-term leasehold land in the PRC and are amortised over the term of relevant lease with a range from 10 to 20 years.

20. INTANGIBLE ASSETS

	Development costs HK$'000	Patents, trademark, licences and manufacture know-how HK$'000	Exclusive supply right HK$'000 (Note)	Total HK$'000
COST				
At 1 January 2006	5,493	13,640	–	19,133
Exchange adjustments	192	152	–	344
Additions	2,967	1,096	–	4,063
At 31 December 2006	8,652	14,888	–	23,540
Exchange adjustments	631	403	–	1,034
Additions	1,842	1,567	37,350	40,759
At 31 December 2007	**11,125**	**16,858**	**37,350**	**65,333**
AMORTISATION AND IMPAIRMENT LOSS				
At 1 January 2006	291	2,156	–	2,447
Exchange adjustments	116	44	–	160
Charge for the year	497	1,340	–	1,837
Impairment loss recognised in the consolidated income statement	5,500	1,189	–	6,689
At 31 December 2006	6,404	4,729	–	11,133
Exchange adjustments	577	226	–	803
Charge for the year	528	1,809	–	2,337
Impairment loss recognised in the consolidated income statement	2,465	8,566	37,350	48,381
At 31 December 2007	**9,974**	**15,330**	**37,350**	**62,654**
CARRYING VALUES				
At 31 December 2007	**1,151**	**1,528**	**–**	**2,679**
At 31 December 2006	2,248	10,159	–	12,407

Development costs are internally generated. All of the Group's patents, trademark, licences and manufacture know-how and exclusive supply right were acquired from third parties.

20. INTANGIBLE ASSETS *(Continued)*

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Development costs	5 years
Patents, trademark, licences, and manufacture know-how	5 to 15 years
Exclusive supply right	7 years

Note:

On 4 December 2007, the Group entered into an exclusive supply agreement with Shanghai T&E Industrial Co., Ltd. ("T&E") ("Exclusive Supply Agreement"). In return, the Group agreed:

(a) to allot and issue 45 million ordinary shares at HK$0.83 each, that was the market price of the Company's share at the date when the Group obtained the intangible asset.

(b) to issue a 15-month zero-coupon convertible note with a principal amount of HK$40 million ("CN") and an initial conversion price (subject to adjustments) of HK$1.0 per conversion share. Conversion of the CN is subject to certain conditions as described below.

   (i) T&E has the right to convert all or part of the outstanding principal amount into shares if the total number of the products manufactured and sold by T&E to the Group under the agreement has exceeded 100,000 units of products prior to or as at the date falling the first anniversary of the date of the issue of convertible note (i.e. 31 December 2007);

   (ii) The Company has an early redemption right that entitles the Company to redeem the outstanding principal amount in whole or in part at the option of the Company at any time prior to or on the maturity date by giving prior notice in writing to T&E;

   (iii) Any outstanding principal amount not being redeemed or converted or purchased or cancelled will lapse and the Company shall not be obliged to redeem or repay any such outstanding principal amount on maturity date.

Pursuant to the Exclusive Supply Agreement, T&E is obliged to supply to the Group but the Group is not obliged to purchase, a minimum of 100,000 units of the specified products each year until the expiry of the Exclusive Supply Agreement.

The specified products include the gasoline engine tools, including but not limited to, garden tools, high-pressure washers, generators and other related products which are empowered by specified brandname high-tech air cooled 4 cycle gasoline engines, and any other products that are from time to time designed, developed, manufactured by T&E. The term of the Exclusive Supply Agreement is seven years commencing from the date of completion of the Exclusive Supply Agreement. The unit price will be determined based on arm's length negotiation between the Group and T&E with reference to, in particulars, the direct overhead cost per unit of the specified products.

20. INTANGIBLE ASSETS *(Continued)*

Subsequent to the balance sheet date, the Directors of the Company became aware of the significant financial difficulty of the major would-be customer of the Group, a US-based manufacturing company in respect of the specified products supplied by T&E. In March 2008, the major would-be customer filed for Chapter 11 protection in a US bankruptcy court. In view of that, Directors of the Company is of the view that the Annual Delivery Guarantee is unlikely to be met.

As the orders to be received by the Group from the said customer will be substantially lower than expected, the economic benefits to be derived from the Exclusive Supply Agreement is expected to be insignificant. Accordingly, a full impairment of HK$37,350,000 has been recognised in the consolidated income statement for the year.

In addition, during the year, the Directors conducted a review of the Group's intangible assets and determine that a number of those assets were impaired as at 31 December 2007, due to certain products ceased for production. Accordingly, impairment losses of HK$2,465,000 (2006: HK$5,500,000) and HK$8,566,000 (2006: HK$1,189,000) have been recognised in respect of development costs and patents, trademark, licences and manufacture know-how, respectively.

21. INTEREST IN AN ASSOCIATE

	2006 HK$'000
Cost of investment in an unlisted associate	12,473
Share of post-acquisition results and reserves, net of dividends received	(2,675)
Impairment loss recognised	(9,798)
	–

The summarised financial information in respect of the Group's associate, based on its unaudited management accounts for the year ended 31 December 2006, is set out below:

	2006 HK$'000
Non-current assets	351
Current assets	96,735
Current liabilities	(101,734)
Net liabilities	(4,648)
Group's share of net assets of the associate	–
Turnover	70,419
Loss for the year	(5,126)
Group's share of loss of the associate for the year	(2,563)

21. INTEREST IN AN ASSOCIATE *(Continued)*

The associate represented SBW Technische Gerate GmbH ("SBW"), a company incorporated in Germany. It was 50% directly held by Wang Sing Products Limited ("WSP"), a wholly owned subsidiary of the Company, as at 31 December 2006. The principal activities of the associate were distribution of power tools.

SBW was a major power tools customer of the Group. Since January 2007, SBW had refused to settle the outstanding balances due to the Group. The Group had no other alternatives but to terminate the supply of goods to SBW and therefore a number of arguments and disputes existed among WSP, the other shareholders of SBW and SBW. Furthermore, management of SBW did not allow the Group to gain full access to the books and records of SBW. Accordingly, the share of loss of SBW in the amount of approximately HK$2,563,000 recognised by the Group for the year ended 31 December 2006 was based on SBW's management accounts for that period. The Group had appointed a legal representative for the dispute in January 2007.

Having reviewed the financial condition of SBW and the dispute as mentioned above, the Directors believed it was uncertain that the Group was able to recover the investment cost and the outstanding amounts due from SBW. Accordingly, the Directors decided to make full allowance on all outstanding amounts due from SBW, amounting to HK$39,713,000 in aggregate, as at 31 December 2006. Furthermore, an impairment of goodwill in relation to investment in SBW amounting to HK$9,798,000 was recognised in the consolidated income statement for the year ended 31 December 2006.

On 15 May 2007, a settlement agreement was entered into among WSP, SBW and TIP Technische Industries GmbH ("TIP"), the other shareholder of SBW, and the key terms of the agreement are as follow:

a. WSP agreed to sell all shares in SBW to TIP for a consideration of Euro157,000 (equivalent to HK$1,679,000).

b. SBW agreed to repay to WSP the shareholder's loan of Euro1,389,000 (equivalent to HK$15,256,000) , of which Euro939,000 (equivalent to HK$10,130,000) was to be paid immediately and the balance of Euro450,000 (equivalent to HK$5,126,000) was to serve as guarantee for returned goods, if any.

The disposal of SBW was completed on 14 August 2007 and the Group has recognised a gain on disposal of SBW of HK$1,367,000. During the year, a reversal of allowance for amounts receivable from an associate of HK$5,063,000 is recognised in the consolidated income statement. This amount represents the amount received during the year of HK$10,130,000 net of allowance made during the year of HK$5,067,000. In the absence of financial information of SBW, the Group had not accounted for any share of result of SBW for the year ended 31 December 2007.

The legal representative of the Company has confirmed that the amount of Euro450,000 (equivalent to HK$5,126,000) has been credited to an escrow account on 14 August 2007 according to the settlement agreement. This amount of Euro225,000 will be paid to the Group on 30 June 2008 and the remaining Euro225,000 will be paid on 30 June 2009 . However, the payment of these amounts to the Group is conditional on the guarantee for returned goods and therefore has not been recognised in the consolidated financial statements for the year ended 31 December 2007.

21. INTEREST IN AN ASSOCIATE *(Continued)*

The Directors of the Company continue to make claims against SBW to recover the amounts receivable from SBW. The Directors have sought the legal advice on this matter and are of the view that, apart from exposure under the guarantee for returned goods mentioned above, the Group has no other legal liabilities or contingencies in respect of this matter.

22. INVENTORIES

	2007	2006
	HK$'000	HK$'000
Raw materials	**11,009**	11,365
Work in progress	**3,061**	10,747
Finished goods	**5,238**	6,858
	19,308	28,970

23. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 20-120 days to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

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

	2007	2006
	HK$'000	HK$'000
Within 30 days	**17,887**	21,804
Between 31 to 60 days	**23,286**	18,856
Between 61 to 90 days	**29,724**	5,585
Between 91 to 120 days	**4,919**	9,552
Over 120 days	**1,275**	1,018
	77,091	56,815
Less: allowances for doubtful debts	**(201)**	–
Trade receivables	**76,890**	56,815
Other receivables	**12,514**	29,455
	89,404	86,270

23. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2007, discounted bills receivable with recourse of approximately HK$73,008,000 (2006: HK$34,040,000) was included in trade receivables.

Before accepting any new customer, the Group will understand the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At both balance sheet dates, the directors considered that trade receivables which are neither past due but not yet impaired are of good credit quality.

Included in the Group's trade receivable balance are with aggregate carrying amount of HK$1,104,000 (2006: HK$1,604,000) which are past due at the reporting date for which an impairment loss is not recognised. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2007 HK$'000	2006 HK$'000
91 to 120 days	**30**	586
Over 120 days	**1,074**	1,018
Total	**1,104**	1,604

The directors considered trade receivables which are past due but not impaired are of good credit quality because of satisfactory settlement received subsequent to the balance sheet date.

Movement in the allowance for doubtful debts:

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	**–**	–
Impairment losses recognised on receivables	**3,247**	–
Amounts written off as uncollectible	**(3,046)**	–
Balance at end of the year	**201**	–

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade and other receivables that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	RMB	EUR	HK$
As at 31 December 2007 (HK$'000)	85	65	1,172
As at 31 December 2006 (HK$'000)	49	–	–

24. BANK BALANCES AND CASH

The bank balances carried interest at market rates which range from 1.1% to 3.5% (2006: 1.1% to 3.3%) per annum.

Bank balances that are denominated in the following currencies other than functional currencies of the relevant group entities are set out below:

	RMB	US$	EUR	HK$
As at 31 December 2007 (HK$'000)	888	448	49	173
As at 31 December 2006 (HK$'000)	79	307	3,395	4,015

25. TRADE AND OTHER PAYABLES

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

	2007 **HK$'000**	2006 HK$'000
Within 30 days	**34,834**	28,909
Between 31 to 60 days	**4,824**	3,622
Between 61 to 90 days	**2,310**	4,835
Between 91 to 120 days	**8,948**	3,163
Over 120 days	**7,928**	12,310
Trade payables	**58,844**	52,839
Other payables	**15,050**	19,204
	73,894	72,043

25. TRADE AND OTHER PAYABLES *(Continued)*

Trade and other payables that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	RMB	EUR	HK$
As at 31 December 2007 (HK$'000)	6,254	4,273	8,583
As at 31 December 2006 (HK$'000)	2,950	–	–

26. BANK BORROWINGS

	2007 **HK$'000**	2006 HK$'000
Bank loans		
– secured	**46,989**	–
– unsecured	**73,008**	134,670
	119,997	134,670

Included in bank loans is a total amount of approximately HK$73,008,000 (2006: HK$34,040,000) which represents the proceeds from discounted bills receivable with recourse.

The Group has pledged its buildings with net book values of approximately HK$179,000 (2006: nil) to secure general banking facilities granted to the Group.

All borrowings carry interest 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:

	2007	2006
Effective interest rates:		
Variable-rate borrowings	**4.2% – 8.0%**	4.5% – 6.8%

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

	US$	EUR
As at 31 December 2007 (HK$'000)	19,855	–
As at 31 December 2006 (HK$'000)	11,658	988

27. AMOUNT DUE TO A DIRECTOR/AMOUNTS DUE TO DIRECTORS

The amount as at 31 December 2007 is unsecured, bears interest at variable rates based on the commercial lending rate announced by bank and is repayable in full on 28 February 2009. The effective interest rate for the year is 7% per annum.

The amounts due to directors for the year ended 31 December 2006 were unsecured, interest-free and was fully repaid during the year ended 31 December 2007.

28. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	2,000,000,000	200,000
Issued and fully paid:		
At beginning of year	374,640,000	37,464
Share issued (notes a and b)	119,000,000	11,900
Exercise of share options (note 33)	1,330,000	133
At end of year	494,970,000	49,497

Notes:

(a) Pursuant to a placing agreement executed on 30 August 2007, a total of 51,800,000 ordinary shares were issued at an issue price of HK$0.7 per share, raising net proceeds of approximately HK$51.8 million.

(b) In December 2007, the Company issued 45,000,000 ordinary shares for the acquisition of an exclusive supply right, details of which are disclosed in note 20.

The new shares rank pari passu in all respects with the existing shares.

29. OTHER BORROWINGS

The borrowings as at 31 December 2007 are unsecured, bear interest at a fixed rate of 7.3% per annum and are repayable in full on 13 June 2009. The amounts as at 31 December 2006 were unsecured, bore interest at the rate of 6.0% per annum and were fully repaid during the year ended 31 December 2007.

30. DEFERRED TAXATION

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

	Undistributed earnings of an associate HK$'000
At 1 January 2006	1,947
Reclassify to tax payable	(1,947)
At 31 December 2006 and 31 December 2007	–

At the balance sheet date, the Group has estimated unused tax losses of HK$132,865,000 (2006: HK$69,700,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2012.

31. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments of HK$1,074,000 (2006: HK$575,000) paid under operating leases in respect of office and factory premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**592**	632
In the second year	**82**	234
	674	866

Lease for office premises are negotiated for two years and rentals are fixed for an average of two years.

32. CAPITAL COMMITMENTS

	2007 HK$'000	2006 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	278	252

33. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share options granted to employees of the Group

The Company operates a share option scheme effective on 26 April 2002 ("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 or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

As at the date of this annual report, the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group is 590,000, representing 10% of the issued share capital of the Company as at the date of listing of the Company's shares on the Stock Exchange less accumulated share options issued up to the date of this annual report. 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 options in excess of this limit is subject to shareholders' approval in a general meeting.

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share options granted to employees of the Group *(Continued)*

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

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

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

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

Category	Exercise price per share	Estimated fair value per share option at the date of grant	Exercisable period	Number of share options granted during the year ended 31 December 2006 and outstanding at 1 January 2007	Exercised during the year	Lapsed during the year	Number of share options outstanding at 31 December 2007
	HK$		HK$		note (iv)		
Directors	0.2	0.0319	note (i)	2,310,000	(330,000)	–	1,980,000
Employee (category 1)	0.2	0.0339	note (ii)	2,000,000	(1,000,000)	(1,000,000)	–
Employees (category 2)	0.2	0.0330	note (iii)	11,300,000	–	(4,100,000)	7,200,000
				15,610,000	(1,330,000)	(5,100,000)	9,180,000
Exercisable at 31.12.2007				2,310,000			3,420,000

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

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share options granted to employees of the Group *(Continued)*

Notes:

i. The share options are exercisable one year after the Grant Date to the expired date of the share option scheme on 10 April 2012 ("Expired Date").

ii. The first 1,000,000 share options were vested one year after the Grant Date and exercised during the year. The remaining share options were lapsed in the current year.

iii. One-fifth of the share options granted to the employees will be vested annually in the next five years from the Grant Date. The share options are exercisable once they become vested until the Expired Date.

iv. During the year, a director and an employee exercised 1,330,000 options in aggregate at an exercise price of HK$0.2 per share.

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

	2006
Closing share price at the date of grant	HK$0.2
Exercise price	HK$0.2
Expected volatility	56.775
Expected life	2 years
Risk-free rate	4.289%

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

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

The Group recognised the total expense of HK$131,000 (2006: HK$70,000) for the year ended 31 December 2007 in relation to share options granted by the Company.

(b) Exclusive Supply Agreement

On 4 December 2007, the Group entered into an exclusive supply agreement with T&E as set out in note 20. Under the exclusive supply agreement, the Group agreed to issue 45 million ordinary shares and to issue a 15-month zero-coupon convertible note with a principal amount of HK$40 million in exchange for the exclusive supply right from T&E. Details of the terms of the convertible note are set out in note 20.

34. RETIREMENT BENEFITS SCHEMES

The Group operates retirement schemes and a central provident fund scheme covering their employees in Hong Kong. The Group has joined the MPF Scheme for qualifying employees of the Group in Hong Kong. Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations, which are essentially defined contribution schemes.

The contribution to the MPF Scheme is calculated based on the rules set out in the MPF Ordinance which is 5% on the basic salary of the relevant employee subject to a specific ceiling.

The calculation of contributions for PRC eligible staff is based on 33% of the applicable payroll costs.

Total contributions to retirement benefits schemes charged to consolidated income statement amounted to HK$1,546,000 (2006: HK$1,590,000).

35. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties during the year are as follows:

(a) The Group sold goods to an associate and earned interest income from an associate amounting to HK$18,328,000 and HK$263,000, respectively, during the year ended 31 December 2006 (2007: Nil).

(b) The Directors of the Company considered that the remuneration of key management personnel of the Group is set out in notes 12 and 13.

(c) Transaction and balance with a director are set out in notes 14 and 27 respectively.

(d) Included in deposits and prepayments is an amount of HK$36,309,000 (2006: nil) paid to T&E for trade purpose. Subsequent to the balance sheet date, such amount has been settled in full on behalf of T&E by a company of which the ultimate shareholders are a substantial shareholder of the Company and her spouse.

36. MAJOR NON-CASH TRANSACTION

During the year, the Group allotted and issued 45 million ordinary shares of HK$0.10 each at HK$0.83 per share for acquisition of an intangible asset, details of which are set out in note 20.

37. POST BALANCE SHEET EVENTS

(a) Pursuant to a resolution passed on 4 February 2008, the Directors granted a share option to subscribe for an aggregate of 10 million shares under the Share Option Scheme (as defined in note 33) to Charterwood Capital Limited ("Charterwood") at a subscription price of HK$0.842 per share, which price represented the highest of (a) the closing price of the shares of HK$0.76 as stated in the Stock Exchange's daily quotations sheets for trades in one or more board lot of shares on 10 January 2008 (the "Date of Grant"); (b) the average closing price of the shares of HK$0.842 as stated in the Stock Exchange's daily quotations sheets for the five previous trading days immediately preceding the Date of Grant; and (c) the nominal value of a share of HK$0.10. Charterwood is a consultant to the Company and the entire issued capital of which is owned by Mr. Liu Hoi Keung, the Chief Financial Officer of the Company ("Mr. Liu"). Mr. Liu is also the sole director of Charterwood. Subject to the terms and conditions of the Share Option Scheme, 5 million shares of the share option may be exercised by Charterwood one year after the Date of Grant and the remaining 5 million shares under the share option may be exercised by Charterwood two years after the Date of Grant, and the shares to be allotted upon the exercise of the share option will rank pari passu with the existing fully paid shares in issue on the date which the option is duly exercised.

(b) Pursuant to a resolution passed on 7 March 2008, the Directors granted 17,400,000 share options to eligible employees at the consideration of HK$1 by each grantee under the Share Option Scheme (as defined in note 33) at an exercise price of HK$0.46 per share, which price represented the highest of (a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lot of shares on the date of offer; (b) 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 offer; and (c) the nominal value of the Company's share of HK$0.10. One-fifth of the share options granted to the employees will be vested annually in the next five years from the date of offer. The share options are exercisable once they become vested until the expired date of the share option.

(c) On 25 March 2008, the Company, Jiangsu Golden Harbour Enterprises Ltd. ("Golden Harbour", a wholly owned subsidiary of the Company) entered into a sale and purchase agreement with Mr. Wang Zheng Chun (the spouse of Ms. Shen Ling Zhao, a substantial shareholder of the Company), under which Golden Harbour agrees to acquire the registered capital of and the shareholder loan to Anhui Jinwang Development Investment Company Limited at a consideration of HK$210.2 million. The consideration will be satisfied as to HK$195.5 million by the issue of a convertible note and HK$14.7 million by the issue of 35,000,000 shares at an issue price of HK$0.42 per share.

The principal asset of the company acquired is its entire interest in Shanghai Zhuanfeng Land and Building Development Limited, which is the beneficial owner of the site located in Shanghai, the PRC with a site area of around 57,045 square meters.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2006	**2007**	2006	**2007**	
Chief Wealth International Corp.	Corporation	British Virgin Islands	Share US$1	–	**–**	100%	**100%**	Investment holding
Dragon Castle International Ltd.	Corporation	Samoa	Share US$1	–	**–**	100%	**100%**	Investment holding
Ever Peace Group Limited	Corporation	Samoa	Share US$1	–	**–**	100%	**100%**	Investment holding
Gerrards (Commercial Offshore de Macau) Ltd.	Offshore company	Macau	Quota capital MOP100,000	–	**–**	100%	**100%**	Trading of power tools and air tools
Gerrards Agents Limited	Corporation	British Virgin Islands	Share US$1	–	**–**	100%	**100%**	Investment holding
Glory In Group Limited	Corporation	British Virgin Islands	Shares US$50,000	–	**–**	100%	**100%**	Investment holding
Jiangsu Golden Harbour Enterprises Ltd.	WFOE	PRC	Registered capital US$16,000,000	–	**–**	100%	**100%**	Manufacture and distribution of power tools
Jiangsu Newairy Technology Ltd.	WFOE	PRC	Registered capital US$2,600,000	–	**–**	100%	**100%**	Manufacture and distribution of air tools
Rainy Company Inc.	Corporation	British Virgin Islands	Share US$1	–	**–**	100%	**100%**	Investment holding
Suzhou Dong Xin Tools Co., Ltd.	Sino-foreign equity joint venture	PRC	Registered capital US$556,000	–	**–**	91%	**100%**	Manufacture and distribution of power tools

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly 2006	Directly 2007	Indirectly 2006	Indirectly 2007	Principal activities
Suzhou Rheinkraft Tools Company Limited	WFOE	PRC	Registered capital US$500,000	–	**–**	100%	**100%**	Manufacture and distribution of power tools
Taiwan Wang Sing International Technology Company Limited	Corporation	Taiwan	Registered capital NTD10,000,000	–	**–**	100%	**100%**	Research and development of power and air tools
Talent Power Investments	Corporation	Samoa	Share US$1	–	**–**	100%	**100%**	Investment holding
Twin Capital Limited	Corporation	British Virgin Islands	Shares US$50,000	–	**–**	100%	**100%**	Investment holding
United Win International Corporation	Corporation	British Virgin Islands	Shares US$100	100%	**100%**	–	**–**	Investment holding
Wang Sing Developing Co., Ltd. (Note)	Corporation	Hong Kong	Ordinary share HK$1	–	**–**	–	**100%**	Trading of power and air tools subsequent to the balance sheet date
Wang Sing Products Limited	Corporation	Hong Kong	Ordinary share HK$1,000,000	–	**–**	100%	**100%**	Trading of power and air tools
Wealth Code Inc.	Corporation	British Virgin Islands	Shares US$50,000	–	**–**	100%	**100%**	Investment holding
Well China International Limited (Note)	Corporation	British Virgin Islands	Share US$1	–	**–**	–	**100%**	Investment holding
World Wisdom Industrial Limited	Corporation	British Virgin Islands	Share US$1	–	**–**	100%	**100%**	Trading of merchandise
Worldwide Chain Limited	Corporation	British Virgin Islands	Share US$1	–	**–**	100%	**100%**	Investment holding

None of the subsidiaries had issued any debt securities during the year or at the year end.

Note: The company is newly incorporated during the year ended 31 December 2007.

Financial Summary

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	242,738	317,569	263,406	233,571	**226,544**
Profit (loss) for the year attributable to the equity holders of the Company	12,605	18,608	(9,538)	(116,546)	**(88,546)**

	At 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Assets and liabilities					
Total assets	320,004	386,596	423,204	302,568	**313,172**
Total liabilities	(170,506)	(177,405)	(230,928)	(223,442)	**(228,314)**
	149,498	209,191	192,276	79,126	**84,858**
Equity attributable to equity holders of the Company	149,145	209,194	192,276	79,126	**84,858**
Minority interest	353	(3)	–	–	**–**
Shareholders' funds	149,498	209,191	192,276	79,126	**84,858**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Ho Hao Veng

Independent Non-executive Directors

Mr. Wei Tong Li
Mr. Hui Chuen Fan, Matthew
Mr. Ang Siu Lun, Lawrence

AUTHORISED REPRESENTATIVES

Ms. Chen Wai Yuk
Miss Chen Wai Wah

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Mr. Liu Hoi Keung

AUDIT COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

2389

WEBSITE

www.wangsing.com.hk
www.finance.thestandard.com.hk/en/2389wangsing

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Industrial and Commercial Bank of China Limited
Hang Seng Bank Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Room 1901-1902
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong