旺城國際
WANG SING INTERNATIONAL
控股集團有限公司 HOLDINGS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code：2389)

Annual Report 08

Contents

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual results of Wang Sing International Holdings Group Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2008.

For the year under review, the Group's turnover was HK$186,331,000 (2007: HK$226,544,000) and loss attributable to shareholders was HK$77,463,000 (2007: HK$88,546,000), while the loss per share was HK15.2 cents (2007: HK22.2 cents).

In view of the sustained economic downturn attributed to the global financial crisis, the Company was still capable to further its cooperation with world-class customers in 2008 on its own strengths. Our several newly launched models in 2008 had received enthusiastic response from customers, and it established the foundation for future development. Through cooperations with the world-renowned brands, paying more attentions in the course of production operation, and enhancement in corporate management efficiency, the Company had been able to upgrade its products. We also geared up the effort in market development initiatives, so that not only the partnership with existing customers had been maintained, but also with more new customers lining up with us. Leveraging on the highly reliable quality control capability and a pricing mechanism that offers reasonable value, the Company had successfully secured either improved contracts with or added new scopes of cooperation to a number of prestigious customers.

The outbreak of global financial crisis last year had affected a majority of our corporate customers in Europe and the United States. Under such circumstances, the Company maintained close communication with these customers and mutual understandings and consensus were achieved.

The domestic power tools manufacturers and distributors in the People's Republic of China (the "PRC") had been under considerable pressure in their operations against the slumping global economy, the Company had strived to maintain the high quality of its products, so as to boost the customers' confidence to the Company and empower the Company in pursuit of steadfast development forward.

In view of further upgrading the quality of its products and enhancing its competitiveness in the industry, in cooperation with competent local authorities, the Group established a provincial centre for power tools examination and testing on related technological matters. Through continued research and studies, as well as a strict and uncompromising multi-step testing procedure, the centre serves to enhance product quality of the Group, thus ensuring its research and development of new products to continue to enjoy a competitive edge in overseas market.

Chairman's Statement

During the year under review, the Group also acquired a plot of land in Shanghai. One rationale behind this acquisition is that it can help to strengthen the Group against the financial risks. The land, which is situated in Minhing District, Shanghai, is adjacent with Shanghai Metro Line 5. Notwithstanding the forceful austerity measures implemented by the Central Government towards the real estates market, general conditions in Minhing real estates market remained relatively stable. Construction of the development is scheduled to commence around late 2009 and is expected to complete by the mid of 2011. It is anticipated to generate attractive return for the Group.

To sum up, while the Group had gone through an extremely tough time of economic difficulties in 2008 similar to many other members in the corporate community, we firmly believe that a better future is not very far away. The hard work done in the year under review will bring fruitful returns to the Group in the near future!

I regard my appointment as the Group chairman as a great personal honour. On behalf of all our staff, I would like to pay tribute to our respectable business partners and to extend our thankfulness to the shareholders and those who have always shown tremendous support to the Group's development from the society for their contribution to our business. Looking forward, the Group is confident that it will contribute back to our society with more remarkable results.

Last but not least, on behalf of the Company, I would like to express gratitude to our directors Messrs. Chen Wai Yuk, Chen Wai Wah, Wang Shu and Hui Chuen Fan, Matthew for their invaluable contributions to the Group in the past.

Wang Zheng Chun
Chairman

Hong Kong, 22 April 2009

Management Discussion and Analysis

INDUSTRY OVERVIEW

The world economy showed a trend of decline in 2008 and this economic downturn had been particularly hard-hitting in the developed countries in Europe and America. Inevitably, the power tools manufacturing and export business in the PRC had also been deeply affected by the crisis. On the other hand, prices of raw materials remained at a high level; Renminbi continued to rise against other currencies; amendments were made to the policy regarding domestic tax rebate. All these factors had contributed to the challenging operation environment confronted by the power tools, air tools and garden tools manufacturing industry in 2008.

During the year under review, given that the consumer prices kept soaring and the banks tightened their credits, enterprises in the PRC had been under much greater pressure than in previous years. A few of them had encountered difficulties in their operations and were even in danger of going into bankruptcy.

On the other hand, in recent years, the PRC power tools industry had focused in expanding international market and achieved remarkable results. Nowadays, the PRC has become one of the major power tools manufacturing and exporting countries in the world, with over 80% of her total domestic output of power tools being exported to overseas markets.

Europeans and Americans have a long inherited culture of "Do It Yourself" ("DIY"). We therefore determine European and North America markets are the most important destinations of the PRC's export of power tools. Furthermore, professional users of power tools still accounted for more than a half of the overall power tool market in 2008. As professional power tools and garden tools are regarded as relatively high-end, valued-added products, it is expected that they will continue to enjoy a more than 70% dominant share in the tools market in 2009.

During the year under review, stricter requirements in relation to environmental protection and safety in working environment had been in place in various European countries and in the US, thus further established a set of technological specifications for power tools and air tools. Consequently, the gap of technology between large manufacturers and the small, privately-owned factories in the PRC had become wider.

BUSINESS REVIEW

The Group is principally engaged in the production and sales of products such as AC and DC power tools and air tools. During the year under review, the effects of surging consumer prices and raw material prices, the tax rebates policy, and the tightened banking credit caused by the macro austerity measure of the State, all had contributed to the increase in overall product cost in the manufacturing and export trading sectors. Above all, the Group's business joint ventures had been affected considerably by the severe economic slowdown experienced by our products' major markets (namely Europe and the US) in 2008, as a result of which the Group had also been affected. However, the Group had promptly adjusted its corporate development strategy during the year under review in response to the change in business climate, so the Group's pace of expansion had been lowered to maintain a more stable development mode, and that the Group had also continued its expansion into overseas market for trading, thereby minimized and shifted the external adverse effects and ensured the ongoing stability on the Group's overall results.

Management Discussion and Analysis

For year 2008, the revenue and loss attributable to shareholders of the Group were HK$186,331,000 and HK$77,463,000 respectively, represented a decrease of 18% and 13% as compared with that of 2007. During 2008, power tools remained the main source of revenue, and the details of segment information are set out in note 8 to the consolidated financial statement.

The Group implemented its market expansion plan with considerable success during the year under review. Following expanding into various markets in North America, initial results of further penetration into the European and Asian markets and the pursuit of a more balanced market combination had also been satisfactory. As a result, the Company has become less dependent on single market segment and eventually achieved a more balanced business development, thereby strengthened its ability to avert risks in the course of business development. At the same time, as to garden tools segment, we entered into cooperation agreement with a prestigious brand in professional tools for the development of latest series of garden tool products the market launch of which is scheduled in mid-2009. As the market coverage of the Group had further expanded, its customer list had also been growing, with major customers including such world leading corporations, chain stores and major European and US power tool and air tool distributors like Bosch, Leroy Merlin, Orgill, Casterama and Woolworth.

Seeing tremendous global demand in the professional tools market, during the year under review, the Group maintained the strategy of product shift in respect of a majority of its products by outsourcing the manufacture of certain low margin products, thus enabling its research and development capacity both within the PRC and in elsewhere to concentrate on development of new professional products. On the foundation of previous year, this initiative had borne further success in 2008. With a view to accelerate the research and development and the rendering process of these products, a dedicated team had also been formed in our production unit who would be responsible exclusively for key follow-up work and specific research exercises, providing new-added momentum to our future corporate development.

As a whole, the Group's business had progressed to a relatively stable development stage in 2008. According to its planning based on various projections, the Group would have increased the proportion of in-house production with a view to enjoy the benefits of cost saving and the capacity in its own plant, so as to achieve greater operating efficiency. However, taken into consideration the soaring raw material prices in the past two years in the PRC that had resulted in the increase of production cost of its products at a relatively high rate compared to historical level, the Group had made timely adjustment to its production strategy so that in-house production had been reduced and the proportion of outsourced production had been increased. For the year under review, outsourcing accounted for 55% of the total output.

The Group always place strong emphasis on professional and management skills upgrade. Last year, we had organised a number of grand training programmes, where we had engaged highly regarded training institutions in the PRC, experts in the industry and prestigious international certification firms to give specific training to our staff. Close-door trainings and practical factory management technique drills had also been conducted. Furthermore, the Group had taken initiative to upgrade the professional skills of its staff through a series of examinations, contests, assessments, in enabling them to comprehension of international product standards and up-to-date management concepts, upon which our internal professional skill and management quality may be further improved. The Group had continued to make investment in the establishment of its laboratory to enhance its research and development capability and ensure its product quality. The Group's laboratory has always been working closely with competent local authority and related service department. It obtained a "certification of competence" from the provincial technology authority and had forthwith acquired the status of being a provincial power tool examination and testing centre. The establishment of the centre has effectively facilitated the further advancement of the Group's technology, its competitive strength, and also the future development of the Group, setting up a positive atmosphere and fitting environment, and the promotion of its corporate identity.

On 15 July 2008, a subsidiary of the Company acquired the entire issued share capital of Anhui Jin Wang Investment Development Company Limited, a company which is wholly owned by Mr. Wang Zheng Chun, the executive director and deemed substantial shareholder of the Group, at a consideration of approximately HK$204,950,000. The consideration has been satisfied by convertible note and 35,000,000 shares of the Company. The details of convertible note are set out in Note 29 to the consolidated financial statements. The principal asset of the subsidiary is its entire interest in another subsidiary, which has a deposit for the acquisition of a parcel of land located in Shanghai, the PRC with a site area of around 57,045 square meters.

The state-owned land use certificates have been obtained and the land is intended to be developed into residential properties for sales in ordinary course of business upon completion. Up to 31 December 2008, the construction works of the properties had not been commenced and it is expected to commence in late 2009.

FINANCIAL REVIEW

Revenue and Profit Analysis

For the year ended 31 December 2008, the Group recorded a revenue of approximately HK$186,331,000, a decrease of 18% as compared to 2007. Loss attributable to shareholders was approximately HK$77,463,000 in 2008 (2007: HK$88,546,000). The decrease in revenue was mainly due to the decrease in overall demand.

Revenue Breakdown by Products and Geographical Locations

In terms of products, power tools were still the major income source for the Group. In 2008, the sales of power tools, air tools and hand tools and other products represented 81%, 3% and 16% of the Group's revenue respectively (2007: power tools 84%, air tools 3% and hand tools and other products 13%).

Geographically, Europe was still the major market of the Group. In 2008, the revenue proportion for the Group in Europe and other markets was 86:14 (2007: 85:15).

Gross Profit and Margin Analysis

For the year ended 31 December 2008, the Group's gross profit increased from approximately HK$6,690,000 in 2007 to approximately HK$12,756,000. 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 and Gearing Ratio

At 31 December 2008, the Group's cash on hand was HK$40,821,000 (2007: HK$23,215,000). The long term and short term debts of the Group were HK$153,721,000 (2007: HK$149,838,000) in aggregate. The total debts increased by approximately HK$3,883,000 as compared with the year ended of 2007. As at 31 December 2008, the gearing ratio (total borrowing/equity) was 597% (2007: 176%).

Capital Expenditure

The Group's capital expenditure in 2008 was approximately HK$5.7 million (2007: HK$48.4 million), expenditure for development of mould amounted to HK$3.4 million (2007: HK$4.4 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 2009 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 2008, the Group's trade debtors' turnover days were 120 days (2007: 108 days). The account payables turnover days were 124 days (2007: 93 days) and the inventory turnover days were 27 days (2007: 40 days).

Capital Structure

During the year, a total of 35,000,000 shares were issued as part of the consideration for the acquisition of a subsidiary. The total number of issued share capital at 31 December 2008 was 529,970,000 shares (2007: 494,970,000 shares).

Pledge of Assets

The Group has pledged its building with net book values of approximately HK$58,403,000 (2007: HK$179,000) to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2008, the Group did not have any material contingent liabilities (2007: 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 2008, the Group had approximately 421 employees, of which, 60 employees were management staff and 78 employees were engineers and the total staff cost (including directors' emoluments amounted to approximately HK$19,410,000 (2007: HK$13,002,000).

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 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

Riding on the development in 2008, the Group will work diligently to achieve greater development in the future. Looking ahead to 2009, the principle goals of the Group are to pursue both products and markets diversification; to gear up the process of research and development in new products and projects as well as new market expansion; to strengthen its research and development capability and to upgrade the status of its products. Upon the launch to the market of the professional tools and garden tools with greater technology requirements in 2009, the Group will take a step forward in its cooperation with prestigious brand customers. With the smooth and continuous upgrade of its capability in operation management and in other aspects, it is quite rightly that the Group is very confident to its future.

The Group intends to make extra investment to research and development initiatives. In addition to driving up the construction work of 南通研發中心 (Nantong Research and Development Centre), the Group will also devote major resources to the construction of Suzhou Research and Development Centre in 2009. For expanding further in North America, the Group will also invest in the research and development targeting specifically the North America market. The Group will work more closely with universities in the PRC on product research and development to realize a comprehensive partnership between PRC and overseas research and development centres as well as PRC professional institutions.

In terms of development, 2009 will be a critical year for the Group. We will dedicate more effort in exploring new markets, reinforcing our cooperation with specialized branded customers and enhancing our product grading. Currently, the Group, having achieved preliminary results for the abovementioned initiatives, is moving towards its established goal with resolve. With the gradual development in the coming years, the Group's performance will continue to improve. In addition, for the parcel of land acquired during the year, it is scheduled to commence the construction in late 2009 and is expected to generate attractive return for the Group in the foreseeable future.

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, throughout the year ended 31 December 2008, except for the deviations as disclosed in the following paragraphs.

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 at 31 December 2008.

Board

1. Mr. Wang Zheng Chun (Chairman)
2. Mr. Wang Shu (Managing Director/CEO)
3. Mr. Zheng Wei Chong (Executive Director)
4. Mr. Xu Wen Cong (Executive Director)
5. Mr. Zhang Xiu He (Executive Director)
6. Mr. Ho Hao Veng (Non-executive Director)
7. Mr. Wei Tong Li (Independent Non-executive Director)
8. Mr. Ang Siu Lun, Lawrence (Independent Non-executive Director)
9. Mr. Ma Kwai Yuen (Independent Non-executive Director)
10. Mr. Law Wing Tak, Jack (Independent Non-executive Director)

Remuneration Committee

1. Mr. Ho Hao Veng (Chairman)
2. Mr. Wei Tong Li
3. Mr. Ang Siu Lun, Lawrence
4. Mr. Ma Kwai Yuen
5. Mr. Law Wing Tak, Jack

Nomination Committee

1. Mr. Ang Siu Lun, Lawrence (Chairman)
2. Mr. Wang Shu
3. Mr. Wei Tong Li
4. Mr. Ma Kwai Yuen
5. Mr. Law Wing Tak, Jack

Audit Committee

1. Mr. Ma Kwai Yuen (Chairman)
2. Mr. Ho Hao Veng
3. Mr. Wei Tong Li
4. Mr. Ang Siu Lun, Lawrence
5. Mr. Law Wing Tak, Jack

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 19, 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 would 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 a 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.

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.

A.2 Chairman and Chief Executive Officer

For the year ended 31 December 2008, 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 Chairman of the Board, 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.

During the year ended 31 December 2008, Mr. Wang Shu, being a Managing Director, who was delegated with the overall management and corporate strategies as well as supervising the engineering and marketing functions of the Group. Mr. Wang Shu resigned on 26 March 2009, and Mr. Wang Zheng Chun, the Chairman of the Company, has been appointed as the Chief Executive Officer with effect from 22 April 2009, therefore, the provision of the CG Code has not been complied thereafter.

A.3 Board Composition

At 31 December 2008, the Board comprises five executive directors, being Mr. Wang Zheng Chun, Mr. Wang Shu, Mr. Zheng Wei Chong, Mr. Xu Wen Cong and Mr. Zhang Xiu He, one non-executive director, being Mr. Ho Hao Veng and four independent non-executive directors, being Mr. Wei Tong Li, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack. 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 19 under the section of Directors and Senior Management. Mr. Wang Shu resigned as executive director and Chief Executive Officer on 26 March 2009.

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. According to the code provision A.4.1. of the CG Code, non-executive directors should be appointed for a specific term of service. None of the independent non-executive directors of the Company have entered into an appointment letter with the Company for a specific term of service but their appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Articles of Association of the Company. Moreover, the Company in general meeting shall have power by ordinary resolution to remove any director before the expiration of his period of office.

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 are shown on page 9 and the Committee meets at least once per annum. During the year ended 31 December 2008, one meeting was held to review the Composition of the Board as well as to nominate three and two candidates for the positions of executive directors and independent non-executive Directors respectively.

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 2008.

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 are shown on page 9 and 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 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 2008, one meeting was held to consider the remuneration of newly appointed executive directors, independent non-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 2008, 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 2008 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 are shown on page 9 and 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 three 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 2008, 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 2007 and the unaudited financial statements for the six months ended 30 June 2008.

During the year under review, the Group is required to pay an aggregate of approximately HK$1,500,000 and HK$550,000 to external auditors for performing the statutory audit work of 2008 and the related work-done for the major acquisition respectively.

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

During the year ended 31 December 2008, the Company has made 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.

During the year ended 31 December 2008, the Company has counted all proxy votes and, except where a poll is required, the chairman of a meeting has indicated 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.

With effect from 1 January 2009, according to rule 13.59(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions put to the vote at the forthcoming annual general meeting will be taken by way of poll.

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 records at the meeting of the Board of Directors and specialized board committees held during the year ended 31 December 2008 as set out below:

	Meetings attended/held in 2008			
Name and Designation	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director				
Mr. Wang Zheng Chun *(Chairman)*	4/5	–	1/1	1/1
Mr. Wang Shu (resigned on 26 March 2009)	12/12	–	1/1	1/1
Ms. Chen Wai Yuk (resigned on 22 October 2008)	9/10	–	1/1	–
Miss Chen Wai Wah (resigned on 22 October 2008)	10/10	–	1/1	1/1
Mr. Zheng Wei Chong	12/12	–	–	–
Mr. Xu Wen Cong (appointed on 22 October 2008)	1/1	–	–	–
Mr. Zhang Xiu He (appointed on 22 October 2008)	1/1	–	–	–
Non–executive Director				
Mr. Ho Hao Veng	11/12	3/3	1/1	1/1
Independent Non–executive Director				
Mr. Wei Tong Li	11/12	3/3	1/1	1/1
Mr. Hui Chuen Fan, Matthew (resigned on 5 September 2008)	7/8	1/1	–	–
Mr. Ang Siu Lun, Lawrence	10/12	3/3	1/1	1/1
Mr. Ma Kwai Yuen (appointed on 8 September 2008)	4/4	2/2	1/1	1/1
Mr. Law Wing Tak, Jack (appointed on 22 October 2008)	1/1	–	–	–
Average attendance rate	95%	100%	100%	100%

Directors and Senior Management

EXECUTIVE DIRECTORS

Wang Zheng Chun

Mr. Wang Zheng Chun, aged 44, was appointed as the Executive Director of the Group in June 2008. He was re-designated as the Chairman of the Group in October 2008. He has over 10 years of experience in property development and management. Mr. Wang has substantial experience in developing and constructing villas, residential units and commercial buildings in the People's Republic of China. Mr. Wang is also the committee member of 上海市閔行區工商業聯合會 (The Association of Industry and Commerce in Minhang District, Shanghai).

Zheng Wei Chong

Mr. Zheng Wei Chong, aged 41, 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. Mr. Zheng is mainly responsible for the Group's legal issue.

Xu Wen Cong

Mr. Xu Wen Cong, aged 40, was appointed as the Executive Director of the Group in October 2008. Mr. Xu is responsible for the property management and development businesses. Mr. Xu was graduated from Zhejiang University and has over 17 years of experience in property construction and installation in the PRC, and he has acquired all-round experience in enterprise management, project planning, property construction and ancillary works. His last employment was the standing vice general manager of the property development company located in Shanghai

Zhang Xiu He

Mr. Zhang Xiu He, aged 40, was appointed as the Executive Director of the Group in October 2008. Mr. Zhang is responsible for the businesses of investment and finance, the enterprise financial management, and supervision of the cashflow position of the Group. Mr. Zhang obtained a Bachelor of Economics and Master of Professional Accountancy in Fushun Petroleum Engineering Management Institute and The Chinese University of Hong Kong, respectively. Mr. Zhang served as a head of finance, chief finance officer and vice general manager of a company listed in Shanghai between the period from July 1999 and April 2005, and has been serving as a director and chief executive officer of Investment Management Company afterward.

NON-EXECUTIVE DIRECTOR

Ho Hao Veng

Mr. Ho Hao Veng, aged 62, 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 he is 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 75, 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.

Ang Siu Lun, Lawrence

Mr. Ang Siu Lun, Lawrence, aged 48, 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 extensive experience in equity research, investment banking and financial analysis.

Ma Kwai Yuen

Mr. Ma Kwai Yuen, aged 56, has been appointed as an Independent Non-executive Director in September 2008. Mr. Ma is an executive director of a consulting company in Hong Kong and has over thirty years of professional experience in the accounting and financial management and consulting industries. He is a fellow member of The Chartered Institute of Management Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a fellow member of the CPA Australia. Mr. Ma is also an independent non-executive director of China Aoyuan Property Limited, Vision Tech International Holdings Limited, China Shineway Pharmaceutical Group Limited and PacMOS Technologies Holdings Limited, which are listed companies in Hong Kong.

Law Wing Tak, Jack

Mr. Law Wing Tak, Jack, aged 55, was appointed as an Independent Non-executive Director of the Group in October 2008. Mr. Law is a graduate of Newcastle University in the United Kingdom with a degree of Bachelor of Arts in Economics and Accounting. He is a member of Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. Mr. Law has been in the corporate finance business for more than 20 years and has held directorships in a number of Hong Kong and the United Kingdom listed companies. His experience covers the areas of banking, credit control, financial management, appraising and implementing investment projects, merger & acquisitions, and corporate finance. He is also currently a partner of a firm of chartered accountants in the United Kingdom.

Mr. Law was an executive director of Far East Golden Resources Group Limited (formerly known as Compass Pacific Holdings Limited) which is a Main Board listed company in Hong Kong. Mr. Law is currently the chief executive officer of Ford Eagle Capital Limited and an independent non-executive director of China Railway Logistic Limited, a Growth Enterprise Market listed company in Hong Kong.

SENIOR MANAGEMENT

Liu Hoi Keung

Mr. Liu Hoi Keung, aged 44, 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.

Wan Ji Ming

Mr. Wan Ji Ming, aged 40, 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 twelve 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 Fang Yan

Mr. Zhao Fang Yan, aged 41, in October 2008 was appointed as general manager of Jiangsu Golden Harbour Enterprises Limited. Mr. Zhao graduated from the Shenyang Industrial University, and achieved Industrial Management engineering bachelor's degree, and the master degree of the Management of Science and engineering. Mr. Zhao is responsible for the overall management of the Group. Prior to join the Company, he was the executive Director of a company listed in Shanghai and Mr. Zhao has over 10 years experience on management.

Chu Kin Ming

Mr. Chu Kin Ming, aged 29, is the Company Secretary of the Group. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He is also a member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. 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 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 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 2008 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 44% and 69% respectively of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for approximately 55% and 83% respectively of the Group's total revenue 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 17 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. At 31 December 2008, the Company has no reserves available for distribution.

SHARE CAPITAL

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

Executive Directors:

Mr. Wang Zheng Chun *(Chairman and Chief Executive Officer)*	(appointed on 3 June 2008 and re-designated as Chairman on 10 October 2008)
Mr. Wang Shu	(resigned on 26 March 2009)
Mr. Xu Wen Cong	(appointed on 22 October 2008)
Mr. Zhang Xiu He	(appointed on 22 October 2008)
Mr. Zheng Wei Chong	
Ms. Chen Wai Yuk	(ceased as Chairman on 10 October 2008 and resigned on 22 October 2008)
Ms. Chen Wai Wah	(resigned on 22 October 2008)

Non-executive Director:

Mr. Ho Hao Veng

Independent non-executive Directors:

Mr. Wei Tong Li	
Mr. Ang Siu Lun, Lawrence	
Mr. Ma Kwai Yuen	(appointed on 8 September 2008)
Mr. Law Wing Tak, Jack	(appointed on 22 October 2008)
Mr. Hui Chuen Fan, Matthew	(resigned on 5 September 2008)

In accordance with the Article 108 of the Company's Articles of Association, Mr. Zheng Wei Chong and Mr. Ang Siu Lun, Lawrence 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. Wang Zheng Chun, Mr. Xu Wen Cong, Mr. Zhang Xiu He, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack will hold office only until the forthcoming annual general meeting and, being eligible, offer themselves for 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 proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the 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 2008, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

(i) Long positions

Ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Mr. Wang Zheng Chun	Held by spouse	70,148,000 (a)	
	Held by a controlled corporation	35,000,000 (b)	
		105,148,000	19.84%
Mr. Wang Shu	Held by spouse	57,156,000 (c)	10.78%
Mr. Ho Hao Veng	Beneficially held	10,000,000	1.89%
Mr. Zhang Xiu He	Beneficially held	1,540,000	0.29%

Notes:

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

(b) 35,000,000 shares were held by Grand Vision Group Limited, the entire issued capital of which is beneficially owned by Mr. Wang Zheng Chun.

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

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)*

(ii) Share options

Particulars of the Company's share option scheme are set out in note 34 to the consolidated financial statements.

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

	Outstanding at beginning of year	Lapsed during year	Outstanding at end of year
Directors			
Ms. Chen Wai Yuk (resigned on 22 October 2008)	330,000	(330,000)	–
Mr. Wang Shu (resigned on 26 March 2009)	330,000	–	330,000
Ms. Chen Wai Wah (resigned on 22 October 2008)	330,000	(330,000)	–
Mr. Ho Hao Veng	330,000	–	330,000
Mr. Wei Tong Li	330,000	–	330,000
Mr. Ang Siu Lun, Lawrence	330,000	–	330,000
	1,980,000	(660,000)	1,320,000

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 2006 to 10 April 2012.

(iii) Convertible Note

Pursuant to the Sales and Purchase Agreement which was completed on 15 July 2008, a convertible note with an aggregate principle amount of HK$195,500,000 was issued by the Company to Grand Vision Group Limited which is wholly owned by Mr. Wang Zheng Chun to satisfy part of the consideration on the completion date. During the conversion period as specified under convertible note agreement, Mr. Wang has an option to convert the convertible note into 425,000,000 ordinary shares of the Company. Upon full conversion of the convertible note, Mr. Wang Zheng Chun will hold interests in ordinary shares representing approximately 56% of the enlarged issued share capital of the Company.

Particulars of the Convertible Note are set out in note 29 to the consolidated financial statements.

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.

CONNECTED TRANSACTION

On 25 March 2008 (as supplemented by a supplemental agreement dated 23 May 2008), one of the subsidiaries of the Company, Jiangsu Golden Harbour Enterprises Limited entered into an acquisition agreement with Mr. Wang Zheng Chun ("Mr. Wang") for the acquisition of the entire equity interest of Anhui Jinwang Development Investment Company Limited with the consideration of approximately HK$210,200,000, which was satisfied by convertible note and 35,000,000 shares of the Company. The details of the acquisition of the subsidiary and the convertible note are set out in note 35 and note 29 to the consolidated financial statements respectively.

At the date of announcement of the transaction, Mr. Wang is the spouse of Ms. Shen Ling Zhao, being a substantial shareholder, holding 14.2% of the issued share capital of the Company, Mr. Wang is therefore a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The transaction was approved by the independent shareholders of the Company on 16 June 2008.

Details of the transactions are set out in the announcement of the Company dated 25 March 2008, 23 May 2008, 16 June 2008 and 30 June 2008 and in the circular of the Company dated 29 May 2008.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed above in the section headed "Directors' interests in shares and underlying shares" at 31 December 2008, the shareholders (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. Yang Fei	Beneficial owner	636,000	
	Held by controlled corporation (a)	80,000,000	
		80,636,000	15.22%
Big Power Holdings Limited	Beneficial owner	71,200,000	13.43%
Ms. Yu Hai Hong	Held by controlled corporation (b)	45,000,000	8.49%

Notes:

(a) Mr. Yang Fei is the beneficial owner of the entire issue share capital of Max Faith Group Limited.

(b) China Strong Limited acts as a nominee of 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 2008, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 34 to the consolidated financial statements.

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, would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

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 auditors of the Company to fill the causal vacancy created by the resignation of Messrs. Deloitte Touche Tohmatsu. Subsequently, CCIF resigned as auditors 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.

The financial statements of the Company for the years ended 31 December 2006, 2007 and 2008 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Wang Zheng Chun
Chairman

22 April 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS 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 80, which comprise the consolidated balance sheet as at 31 December 2008, 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, in accordance with our agreed terms of engagements 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 ON CORRESPONDING FIGURES

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. 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. Our auditor's report on the consolidated financial statements for the year ended 31 December 2007 was qualified accordingly. Any adjustments found to be necessary would affect the Group's loss for the years ended 31 December 2007.

QUALIFIED OPINION ON CORRESPONDING FIGURES

In our opinion, except for the effect on the corresponding figures for 2007 of such adjustment, if any, to the results of operations for the year ended 2007, which 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 2008 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

22 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	**186,331**	226,544
Cost of sales		**(173,575)**	(219,854)
Gross profit		**12,756**	6,690
Other income	9	**5,662**	11,790
Selling and distribution expenses		**(13,175)**	(15,417)
Administrative expenses		**(51,399)**	(39,176)
Impairment loss recognised in respect of property, plant and equipment	10	**(23,192)**	(4,192)
Impairment loss recognised in respect of intangible assets	10	**–**	(48,381)
Gain on fair value change of conversion option embedded in convertible note	29	**8,341**	–
Reversal of allowance for amounts receivable from an associate disposed of in previous years		**2,614**	5,063
Gain on disposal of an associate		**–**	1,367
Finance costs	13	**(19,070)**	(8,237)
Loss before tax		**(77,463)**	(90,493)
Income tax credit	14	**–**	1,947
Loss for the year	15	**(77,463)**	(88,546)
Loss per share			
– basic (HK cents)	16	**15.2**	22.2

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**99,460**	131,401
Prepaid lease payments	18	**879**	950
Intangible assets	19	**3,398**	2,679
		103,737	135,030
Current assets			
Inventories	20	**13,221**	19,308
Properties under development held for sale	21	**226,206**	–
Trade and other receivables	22	**61,271**	89,404
Deposits and prepayments		**6,013**	41,094
Prepaid lease payments	18	**129**	121
Pledged bank deposits	23	**2,285**	–
Bank balances and cash	24	**38,536**	28,215
		347,661	178,142
Current liabilities			
Trade and other payables	25	**66,780**	73,894
Deposits and accrued expenses		**7,932**	4,582
Bank borrowings	26	**27,832**	119,997
Loans from related companies	27	**18,943**	–
Conversion option embedded in convertible note	29	**32,788**	–
		154,275	198,473
Net current assets (liabilities)		**193,386**	(20,331)
Total assets less current liabilities		**297,123**	114,699

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	28	**52,997**	49,497
Reserves		**(27,274)**	35,361
Total equity		**25,723**	84,858
Non-current liabilities			
Convertible note	29	**164,454**	–
Loans from related companies	27	**106,946**	–
Amount due to a director	30	**–**	19,162
Other borrowings	31	**–**	10,679
		271,400	29,841
		297,123	114,699

The consolidated financial statements on pages 28 to 80 were approved and authorised for issue by the Board of Directors on 22 April 2009 and are signed on its behalf by:

Wang Zheng Chun
Director

Zheng Wei Chong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium account HK$'000	Share options reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	37,464	88,444	70	800	4,991	710	(53,353)	79,126
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	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)
Shares issued	11,900	77,250	–	–	–	–	–	89,150
Transaction costs directly attributable to issue of shares	–	(1,814)	–	–	–	–	–	(1,814)
Recognition of equity-settled shares 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
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	2,509	–	–	2,509
Loss for the year	–	–	–	–	–	–	(77,463)	(77,463)
Total recognised income and expenses for the year	–	–	–	–	2,509	–	(77,463)	(74,954)
Shares issued	3,500	5,950	–	–	–	–	–	9,450
Recognition of equity-settled share-based payments	–	–	6,369	–	–	–	–	6,369
Release upon lapse of vested share options	–	–	(185)	–	–	–	185	–
At 31 December 2008	**52,997**	**170,025**	**6,323**	**800**	**14,045**	**710**	**(219,177)**	**25,723**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

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 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(77,463)**	(90,493)
Adjustments for:		
Share-based payment expenses	**6,369**	131
Amortisation of intangible assets	**1,302**	2,337
Amortisation of leasehold land (construction not yet commenced)	**2,030**	–
Depreciation of property, plant and equipment	**16,062**	15,605
Release of prepaid lease payments	**125**	121
(Gain) loss on disposal of property, plant and equipment	**(54)**	89
Gain on disposal of an associate	**–**	(1,367)
Written off for other receivables	**944**	320
Allowances for trade receivables	**111**	3,247
Interest income from banks	**(562)**	(550)
Finance costs	**19,070**	8,237
Gain on fair value change of conversion option embedded in convertible note	**(8,341)**	–
Impairment loss recognised in respect of property, plant and equipment	**23,192**	4,192
Impairment loss recognised in respect of intangible assets	**–**	48,381
Reversal of bad debts written off in prior year	**(375)**	(3,297)
Reversal of allowance for amounts receivable from an associate disposed of in previous years	**(2,614)**	(5,063)
Allowance for obsolete and slow moving inventories	**–**	8,460
Operating cash flows before movements in working capital	**(20,204)**	(9,650)
Decrease in inventories	**6,087**	3,340
Decrease (increase) in trade and other receivables	**27,453**	(3,168)
Decrease (increase) in deposits and prepayments	**35,081**	(18,523)
Increase in properties under development held for sale	**(7,299)**	–
Decrease in trade and other payables	**(9,969)**	(3,466)
Increase (decrease) in deposits and accrued expenses	**3,350**	(633)
Cash generated from (used in) operations	**34,499**	(32,100)
PRC land appreciation tax paid	**–**	(754)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**34,499**	(32,854)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Acquisition of assets through purchase of a subsidiary	35	7,368	–
Proceeds on disposal of property, plant and equipment		4,312	–
Repayment from an associate disposed of in previous year		2,614	10,130
Interest received from banks		562	550
Purchase of property, plant and equipment		(4,466)	(6,754)
Increase in pledged bank deposits		(2,285)	–
Purchase of intangible assets and development costs paid		(1,272)	(3,409)
Proceed on disposal of an associate		–	1,679
Prepaid lease payments paid		–	(491)
NET CASH FROM INVESTING ACTIVITIES		6,833	1,705
FINANCING ACTIVITIES			
Repayments of bank borrowings		(180,988)	(144,609)
Repayments of other borrowings		(16,498)	(5,500)
Repayment of amount due to related companies		(8,275)	–
Interest paid		(6,132)	(7,920)
New bank borrowings raised		87,285	119,997
Advances from related companies		60,493	–
Advance from a director		27,496	18,845
Other borrowings raised		5,499	10,679
Repayment to a director		–	(3,671)
Proceeds from issue of new shares (net of cost directly attributable to issue of shares)		–	50,252
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(31,120)	38,073
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,212	6,924
CASH AND CASH EQUIVALENTS AT 1 JANUARY		28,215	17,460
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		109	3,831
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		38,536	28,215

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a 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 are set out in note 39. 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"). The Directors of the Company selected HKD as the presentation currency because the shares of the Company are listed on the Stock Exchange.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's loss of HK$77,463,000 for the year ended 31 December 2008 and accumulated losses of HK$219,177,000 at 31 December 2008. The directors of the Company have been taking steps to improve the liquidity of the Group.

Subsequent to the balance sheet date, the Group obtained new banking facilities amounting to HK$14,740,000 will be repayable in March 2010. In addition, in April 2009, the Company obtained a new advance of HK$15,874,000 from a related company in which the advance is unsecured, interest bearing at the commercial lending rate ("Rate") provided by commercial banks in PRC plus 1% of the Rate per annum and repayable in 2010.

In the opinion of the directors, the Group will have sufficient financial resources to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfers on or after 1 July 2009
7 Effective for annual periods ending on or after 30 June 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. In the opinions of the Directors of the Company, the borrowing costs to be capitalized in part of the cost of a qualifying asset cannot be estimated reliably for the present. The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs 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 date of acquisition and 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.

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.

Revenue from sale of goods is recognised when the 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 on initial recognition.

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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interest in land are accounted for as operating leases.

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 the respective 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 Group (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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period 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 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately to profit or loss.

Financial assets

The Group's financial assets comprise mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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 estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- 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-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liability designated as at FVTPL, of which the interest expense is included in net gains or losses.

Interest expense is recognised on an effective interest basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and loans from related companies 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.

Convertible note

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion options that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument are a conversion option derivatives. When convertible notes are issued as part of the consideration of the acquisition of assets through purchase of a subsidiary, both the liability and conversion option derivative components are recognised at fair value at the date of acquisition.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

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.

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 and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Properties under development held for sale

Properties under development held for sale are stated at the lower of cost and estimated net realisable value. Properties under development which are intended for sale in the ordinary course of business upon completion are classified as current assets.

Before the construction takes place, the amortisation charge provided for the leasehold land is recognized in profit or loss. During the amortisation charge provided to the leasehold land is capitalised as part of costs of the properties for development.

Equity-settled share-based payment transactions

Share options granted to employees under an equity settled share-based payment arrangement

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 options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in income statement, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated losses.

Goods acquired in an equity-settled share-based payment arrangement

When the Group acquires goods in equity-settled share-based payment arrangement, it measures the goods received and the corresponding increase in equity, directly, at the fair value of the goods received, unless that fair value cannot be estimated reliably. If the Group cannot estimated reliably the fair value of the goods received, the Group measures the fair value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, but so that the increased carrying amount does not exceed the carrying 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgments, 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.

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

Property, plant and equipment, are carried at cost less accumulated amortisation 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, hence, involved consideration of the value in use. The cash flows used in the value in use calculation are consistent with the most up-to-date budgets and plans formally approved by management covering a 5-year period and are based on reasonable and supportable assumptions. The discount rate of 14% and a zero-growth rate are 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. Details of the impairment recognised are set out in note 10.

Properties under development held for sale

As mentioned in note 21, the Group during the year acquired a piece of leasehold land for the purposes of building residential properties for sale. Properties held under development for sale are measured at the lower of cost and net realisable value and are classified as current assets in the consolidated balance sheet. In the opinion of the Directors, the project is expected to generate profits for the Group and hence no write down of the properties of the net realisable value is considered necessary.

Deferred taxation

As at 31 December 2008, 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$175,709,000 (2007: HK$132,865,000) as disclosed in note 14.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowances for doubtful debts

The policy of allowances for 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 present value of 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.

Fair value of derivatives and other financial instruments

As described in note 29, the Directors use their judgment in selecting an appropriate valuation technique for financial instruments that all not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

For derivative financial instruments, assumptions are made based on market data adjusted for specific features of the instrument. The carrying amounts of the derivative financial liabilities is HK$32,788,000 (2007: Nil).

5. 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 (that includes the bank borrowings, loans from related companies and convertible notes) 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**102,092**	158,251
Financial liabilities		
Amortised cost	**384,955**	223,732
Conversion option embedded in convertible note	**32,788**	–

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, loans from related companies, bank borrowings, convertible note and the conversion option embedded in convertible note. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. 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) Currency risk

The functional currencies of the Group's principal subsidiaries are USD and Renminbi ("RMB"). The functional currencies of some of the principal subsidiaries are USD because most of the sales transactions of those subsidiaries are negotiated, denominated and settled in USD. 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.

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:

	2008 HK$'000	2007 HK$'000
Assets		
RMB	**9,542**	973
USD	**19**	448
Euro ("EUR")	**209**	114
HKD	**224**	1,345
Liabilities		
RMB	**65,744**	6,254
USD	**–**	24,128
EUR	**–**	8,583
HKD	**164,450**	–

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

As HKD is pegged to USD, currency risk in relation to HKD and USD denominated monetary assets and liabilities is expected to be minimal. The Group is mainly exposed to the risk of fluctuation of RMB and EUR.

The following table details the sensitivity of the Group to a 10% (2007: 5%) increase and decrease in USD against RMB and EUR. 10% (2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2007: 5%) change in foreign currency rates. On this basis, there will be an increase in loss (2007: decrease in loss) where the functional currency of relevant entities weakens against RMB, EUR and USD by 10% (2007: 5%), and vice versa. For a 10% (2007: 5%) weakening of USD against (no relevant currencies, loss for the year would be as follows:

	Assets		**Liabilities**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Decrease (increase) in loss	**973**	32	**(6,574)**	465

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchanges risk as the years and exposure does not reflect the exposures during the year.

(ii) Interest rate risk

The Group's fair value interest rate risk related primarily to the fixed-rate other borrowing (see note 31 for details). The Group had 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 variable-rate pledged bank deposits, bank balances, bank borrowings and loans from related companies. Details of the Group's pledged bank deposits, bank balances, bank borrowings and loans from related companies are disclosed in notes 23, 24, 26 and 27, respectively.

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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point (2007: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

If interest rates had been 50 basis points (2007: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2008 would increase/decrease by HK$561,000 (2007: increase/decrease by HK$368,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and loans from related companies.

(iii) Price risk

The conversion option derivative embedded in convertible note is measured at fair value at each balance sheet date using Black-Scholes Model. Therefore, the Group is exposed to price risk.

The sensitivity analysis on conversion option embedded in convertible note set out as below have been determined based on the exposure to the change of share price of the Company.

At 31 December 2008, if the share price of the Company had increased or decreased by 20% with all other variables under Black-Scholes Model held constant, the consolidated pre-tax loss for the year would have been HK$12,400,000 or HK$11,041,000 higher or lower respectively, arising from losses or gains in fair value of the conversion option embedded in convertible note.

Credit risk

As at 31 December 2008, 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 and debtors is the carrying amount of the respective financial assets as stated in the consolidated balance sheet. In order to minimise 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 receivables represents approximately 55% (2007: 72%) of the total receivables of the Group as at 31 December 2008 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 ensures compliance with loan covenants.

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.

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
2008							
Non-derivate financial liabilities							
Trade and other payables	**–**	**27,187**	**17,896**	**21,697**	**–**	**66,780**	**66,780**
Bank borrowings	**6.5%**	**5,753**	**14,455**	**8,045**	**–**	**28,253**	**27,832**
Loans from related companies	**6.3%**	**18,943**	**–**	**–**	**113,656**	**132,599**	**125,889**
Convertible note	**13.9%**	**–**	**–**	**–**	**203,320**	**203,320**	**164,454**
		51,883	**32,351**	**29,742**	**316,976**	**430,952**	**384,955**
2007							
Non-derivate financial liabilities							
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
Amount due to a director	7.0%	–	–	–	21,689	21,689	19,162
Other borrowings	7.3%	–	–	–	10,992	10,992	10,679
		55,754	96,833	44,326	32,681	229,594	223,732

6. FINANCIAL INSTRUMENTS *(Continued)*

(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 (including derivative financial instrument) 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.

7. REVENUE

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

8. SEGMENT INFORMATION

Geographical segments

The Group is continuously 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. In the current year, the Group is engaged in a new Business segment, property development, after the acquisition of a parcel of land through purchase of a subsidiary are set out in note 35. The Directors consider that geographical segments by location of customers are the primary source of the Group's risk and returns.

8. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

Segment information by location of customers is as follows:

	2008 HK$'000	2007 HK$'000
Revenue		
Europe	**161,226**	193,409
Other continents	**25,105**	33,135
Total	**186,331**	226,544
Segment results		
Europe	**10,769**	6,159
Other continents	**1,987**	531
Total	**12,756**	6,690
Unallocated corporate income	**16,618**	18,220
Unallocated corporate expenses	**(87,767)**	(107,166)
Finance costs	**(19,070)**	(8,237)
Loss before tax	**(77,463)**	(90,493)
Income tax credit	**–**	1,947
Loss for the year	**(77,463)**	(88,546)
Segment assets		
Europe	**40,673**	77,807
Other continents	**25,157**	21,296
	65,830	99,103
Properties under development held for sale	**226,206**	–
Property, plant and equipment	**99,460**	131,401
Segment assets	**391,496**	230,504
Unallocated assets	**59,902**	82,668
	451,398	313,172
Segment liabilities		
Europe	**30,432**	11,063
Other continents	**1,200**	88
Segment liabilities	**31,632**	11,151
Unallocated liabilities	**394,043**	217,163
	425,675	228,314

8. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

Other information:

Allowances for trade receivables of HK$111,000 (2007: HK$3,247,000) are attributable to the customers located in Europe.

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.

Business segments

For the year ended 31 December 2007, as the secondary segment, the Company had been organised into three major business operations: sales of power tools, air tools and hand tools. For the year ended 31 December 2008, the management of the Company consider that the Group's operation are currently organised into five major business operations: sales of power tools, air tools, hand tools, housewares and properties under development held for sale.

Segment information about these businesses is presented below:

	Revenue by business segments	
	2008	2007
	HK$'000	HK$'000
Sales of power tools	**151,436**	190,031
Sales of air tools	**5,735**	7,172
Sales of hand tools	**5,032**	9,910
Sales of housewares	**24,128**	19,431
Properties under development held for sale	**–**	–
	186,331	226,544

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

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	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Sales of power tools	**155,682**	215,571	**5,298**	47,479
Sales of air tools	**292**	7,888	**307**	551
Sales of hand tools	**1,717**	6,939	**–**	–
Sales of housewares	**7,599**	106	**–**	–
	165,290	230,504	**5,605**	48,030
Properties under development for sale	**226,206**	–	**–**	–
	391,496	230,504	**5,605**	48,030
Unallocated	**59,902**	82,668	**133**	383
	451,398	313,172	**5,738**	48,413

9. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Other income includes:		
Gain on disposal of property, plant and equipment	**54**	–
Interest income from banks	**562**	550
Reversal of bad debt written off in prior years	**375**	3,297
Exchange gain	**3,809**	1,794

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

	2008	2007
	HK$'000	HK$'000
Impairment loss recognised in respect of:		
Property, plant and equipment (note 17)	**23,192**	4,192
Intangible assets		
– Development costs (note 19)	**–**	2,465
– Patents, trademark, licences and manufacture know-how (note 19)	**–**	8,566
– Exclusive supply right (note 19)	**–**	37,350
	–	48,381

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, the Directors identified that certain plant and machinery and moulds were impaired as at 31 December 2008. Accordingly, an impairment loss of HK$19,233,000 (2007: HK$4,192,000) and HK$3,959,000 (2007: Nil), respectively, in respect of such assets has been recognised in the consolidated income statement for the year.

In the impairment assessment, a zero-growth rate is used and a discount rate of 14% is used which, 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.

For the year ended 31 December 2007, the Directors of the Company also identified that certain development costs, patents, trademarks, license, manufacture know-how and exclusive supply right were impaired, details of which are set out in note 19.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2007: eight) directors were as follows:

Year ended 31 December 2008

	Executive Directors							Non-executive Director	Independent non-executive Directors					
	Mr. Wang Zheng Chun HK$'000	Ms. Chen Wai Yuk HK$'000	Mr. Wang Shu HK$'000	Ms. Chen Wai Wah HK$'000	Mr. Zheng Wei Chong HK$'000	Mr. Zhaug Xiu He HK$'000	Mr. Xu Wen Cong HK$'000	Mr. Ho Hao Veng HK$'000	Mr. Wei Tong Li HK$'000	Mr. Hui Chuen Fan, Matthew HK$'000	Mr. Ang Siu Lun, Lawrence HK$'000	Mr. Ma Kwai Yuen HK$'000	Mr. Law Wing Tak, Jack HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	–	100	20	90	120	50	37	417
Other emoluments:														
Salaries	–	1,012	169	561	360	88	88	–	–	–	–	–	–	2,278
Contributions to retirement benefits scheme	–	10	6	10	–	–	–	–	–	–	–	–	–	26
Total emoluments	–	1,022	175	571	360	88	88	100	20	90	120	50	37	2,721

Year ended 31 December 2007

	Executive Directors				Non-executive Director	Independent non-executive Directors			
	Ms. Chen Wai Yuk HK$'000	Mr. Wang Shu HK$'000	Ms. Chen Wai Wah HK$'000	Mr. Zheng Wei Chong HK$'000	Mr. Ho Hao Veng HK$'000	Mr. Wei Tong Li HK$'000	Mr. Hui Chuen Fan, Matthew HK$'000	Mr. Ang Siu Lun, Lawrence HK$'000	Total HK$'000
Fees	–	–	–	40	100	20	120	120	400
Other emoluments:									
Salaries	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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: two) were Directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2007: three) individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**2,912**	2,900
Contributions to retirement benefits scheme	**10**	112
Share-based payment expenses	**5,282**	–
Total emoluments	**8,204**	3,012

Their emoluments were within the following bands:

	Number of employees **2008**	2007
Not exceeding HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 or above	**1**	–
	3	3

During the years ended 31 December 2008 and 2007, 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 2008 and 2007.

13. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**5,166**	4,867
Other borrowings	**966**	3,053
Amount due to a director	**2,103**	317
Loans from related companies	**752**	–
Imputed interest expense on convertible note	**10,083**	–
	19,070	8,237

14. INCOME TAX CREDIT

	2008 HK$'000	2007 HK$'000
Current tax		
Overprovision of overseas income tax in prior years	**–**	(1,947)

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 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

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. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

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.

14. INCOME TAX CREDIT *(Continued)*

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

	2008 HK$'000	2007 HK$'000
Loss before tax	**(77,463)**	(90,493)
Tax at the PRC Enterprise Income Tax rate of 25% (2007: 33%)	**(19,366)**	(29,863)
Tax effect of expenses not deductible for tax purpose	**14,518**	25,887
Tax effect of income not taxable for tax purpose	**(5,863)**	(16,868)
Tax effect of tax losses not recognised	**10,711**	20,844
Overprovision in respect of prior years	**–**	(1,947)
Income tax credit for the year	**–**	(1,947)

At the balance sheet date, the Group has estimated unused tax losses of HK$175,709,000 (2007: HK$132,865,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2012.

15. LOSS FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16,062**	15,605
Amortisation of intangible assets (included in cost of sales)	**1,302**	2,337
Amortisation of prepaid lease payments included in properties under development held for sale (included in administrative expenses)	**2,030**	–
Release of prepaid lease payments	**125**	121
Directors' emoluments (note 11)	**2,721**	1,830
Other staff costs	**10,320**	11,041
Share-based payment expenses	**6,369**	131
Total staff costs	**19,410**	13,002
Auditors' remuneration	**1,778**	1,649
Allowances for trade receivable (included in administrative expenses)	**111**	3,247
Written off for other receivables (included in administrative expenses)	**944**	320
Cost of inventories recognised as expense	**172,273**	211,394
Allowance for obsolete and slow moving inventories (included in cost of sales)	**–**	8,460
(Gain) loss on disposal of property, plant and equipment	**(54)**	89

16. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of the Group of HK$77,463,000 (2007: loss of HK$88,546,000) and on the weighted average number of ordinary share in issue of 511,175,000 (2007: 398,772,000) shares in issue.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible note as their exercise would result in a decrease in loss per share for both years.

No diluted loss per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Plant and machinery	Moulds	Leasehold improvements, furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 January 2007	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
Exchange adjustments	4,040	–	5,120	545	439	135	112	10,391
Additions	318	–	466	3,456	188	38	–	4,466
Acquired through purchase of a subsidiary	–	–	–	–	–	–	322	322
Disposals	–	–	(9,071)	–	–	(679)	(173)	(9,923)
At 31 December 2008	**69,574**	**–**	**83,677**	**33,147**	**10,384**	**3,098**	**2,399**	**202,279**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2007	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	–	–	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
Exchange adjustments	390	–	2,212	467	382	67	90	3,608
Charge for the year	2,267	–	6,465	5,836	887	302	305	16,062
Impairment loss recognised	–	–	19,233	3,959	–	–	–	23,192
Elimination on disposals	–	–	(4,845)	–	–	(679)	(141)	(5,665)
At 31 December 2008	**7,832**	**–**	**52,740**	**29,779**	**8,681**	**1,948**	**1,839**	**102,819**
CARRYING VALUES								
At 31 December 2008	**61,742**	**–**	**30,937**	**3,368**	**1,703**	**1,150**	**560**	**99,460**
At 31 December 2007	60,041	–	57,487	9,629	2,345	1,346	553	131,401

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

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

Buildings	Over the shorter of unexpired term of the relevant lease, ranging 20 to 50 years
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 of the Group's buildings are situated on the land under medium-term lease outside Hong Kong.

The Group has pledged buildings with a carrying value of approximately HK$58,403,000 (2007: HK$179,000) to secure general banking facilities granted to the Group.

During the year, the Directors identified that some of the Group's manufacturing assets were impaired due to adverse market changes in the industries. Accordingly, an impairment loss of HK$23,192,000 (2007: HK$4,192,000) has been recognised in respect of plant and machinery and moulds, which are used in the Group's power tools segment. The recoverable amounts of the relevant assets have been determined using value in use calculation. The discount rate and growth rate in measuring the amounts of value in use were 14% and 0% respectively.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise property interests in medium-term leasehold lands in the PRC and are amortised over the term of relevant lease with a range from 20 to 50 years.

	2008 **HK$'000**	2007 HK$'000
Analysed for reporting purposes as:		
Current assets	**129**	121
Non-current assets	**879**	950
	1,008	1,071

19. INTANGIBLE ASSETS

	Development costs	Patents, trademark, licences and manufacture know-how	Exclusive supply right	Total
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000
COST				
At 1 January 2007	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
Exchange adjustments	1,025	674	–	1,699
Additions	790	482	–	1,272
At 31 December 2008	**12,940**	**18,014**	**37,350**	**68,304**
AMORTISATION AND IMPAIRMENT				
At 1 January 2007	6,404	4,729	–	11,133
Exchange adjustments	577	226	–	803
Amortisation 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
Exchange adjustments	626	324	–	950
Amortisation for the year	296	1,006	–	1,302
At 31 December 2008	**10,896**	**16,660**	**37,350**	**64,906**
CARRYING VALUES				
At 31 December 2008	**2,044**	**1,354**	**–**	**3,398**
At 31 December 2007	1,151	1,528	–	2,679

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.

19. INTANGIBLE ASSETS *(Continued)*

The above intangible assets have definite useful lives. They 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") at 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 2008);

    (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 on maturity date 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 particular, the direct overhead cost per unit of the specified products.

During the year ended 31 December 2008, 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. As a result, the Annual Delivery Guarantee was not able to be met, and the right of T&E to convert the CN is lapsed, no convertible note has been recognised in the consolidated balance sheet. Subsequent to the balance sheet date, the outstanding principal of the CN is lapsed on maturity date (i.e. 31 March 2009).

19. INTANGIBLE ASSETS *(Continued)*

As the orders to be received by the Group from the said customer were 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 had been recognised in the consolidated income statement for the year ended 31 December 2007.

In addition, during the year ended 31 December 2007, the Directors conducted a review of the Group's intangible assets and determined 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 and HK$8,566,000 had been recognised in respect of development costs and patents, trademark, licences and manufacture know-how, respectively. No impairment loss has been recognised in consolidated income statement during the year ended 31 December 2008.

20. INVENTORIES

	2008 **HK$'000**	2007 HK$'000
Raw materials	**6,455**	11,009
Work in progress	**3,348**	3,061
Finished goods	**3,418**	5,238
	13,221	19,308

21. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

As mentioned in note 35, during the year the Group acquired a piece of land through purchase of a subsidiary. The piece of land will be used for development of residential properties for sale in the ordinary course of business upon completion. The price of land is situated in the PRC and held under a long lease.

	2008 **HK$'000**
COST	
At the beginning of the year	**–**
Leasehold land acquired through purchase of a subsidiary (note 35)	**221,775**
Additions	**7,299**
Exchange adjustments	**(775)**
At the end of the year	**228,299**
AMORTISATION	
At the beginning of the year	**–**
Amortisation for the year	**2,030**
Exchange adjustments	**63**
At the end of the year	**2,093**
CARRYING VALUE	
At 31 December 2008	**226,206**

21. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE *(Continued)*

Up to 31 December 2008, the construction works of the properties had not been commenced. The construction works will commence in late 2009 and the properties under development held for sale are expected to realise in 2011.

22. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60–120 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, net of allowance for doubtful debts, at the balance sheet date:

	2008	2007
	HK$'000	HK$'000
Within 30 days	**16,730**	17,887
Between 31 to 60 days	**15,442**	23,286
Between 61 to 90 days	**6,635**	29,724
Between 91 to 120 days	**8,710**	4,919
Over 120 days	**5**	1,275
	47,522	77,091
Less: allowances for doubtful debts	**–**	(201)
Trade receivables	**47,522**	76,890
Other receivables	**13,749**	12,514
	61,271	89,404

As at 31 December 2008, discounted bills receivable with recourse of approximately HK$8,556,000 (2007: HK$73,008,000) are 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 nor impaired are of good credit quality.

Included in the Group's trade receivable balance are with aggregate carrying amount of HK$5,000 (2007: HK$1,104,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	HK$'000
91 to 120 days	**–**	30
Over 120 days	**5**	1,074
Total	**5**	1,104

The Directors considered trade and other receivables which are past due but not impaired are of good credit quality. Satisfactory settlement received subsequent to the balance sheet date.

Movement in the allowance for doubtful debts of trade receivables:

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**201**	–
Impairment losses recognised on trade receivables	**111**	3,247
Amounts written off as uncollectible	**(312)**	(3,046)
Balance at end of the year	**–**	201

Movement in allowance for doubtful debts of other receivables:

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**183**	–
Impairment losses recognised on other receivables	**761**	320
Amounts written off as uncollectible	**(944)**	(137)
Balance at end of the year	**–**	183

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 2008 (HK$'000)	**8,677**	**1**	**140**
As at 31 December 2007 (HK$'000)	85	65	1,172

23. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$2,285,000 (2007: Nil) have been pledged to secure the short-term bank borrowings and are therefore classified as current assets.

The pledged bank deposits carry interest at market rates which range from 2.25% to 3.78% per annum.

24. BANK BALANCES AND CASH

The bank balances carried interest at market rates which range from 1.1% to 3.5% (2007: 1.1% to 3.5%) 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 2008 (HK$'000)	**865**	**19**	**208**	**84**
As at 31 December 2007 (HK$'000)	888	448	49	173

25. TRADE AND OTHER PAYABLES

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

	2008 **HK$'000**	2007 HK$'000
Within 30 days	**21,470**	34,834
Between 31 to 60 days	**12,898**	4,824
Between 61 to 90 days	**4,690**	2,310
Between 91 to 120 days	**5,034**	8,948
Over 120 days	**17,738**	7,928
Trade payables	**61,830**	58,844
Other payables	**4,950**	15,050
	66,780	73,894

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 2008 (HK$'000)	**37,396**	**–**	**54**
As at 31 December 2007 (HK$'000)	6,254	4,273	8,583

26. BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans		
– secured	19,276	46,989
– unsecured	8,556	73,008
	27,832	119,997

Included in bank loans is a total amount of approximately HK$8,556,000 (2007: HK$73,008,000) which represents the proceeds from discounted bills receivable with recourse.

The Group has pledged its buildings and prepaid lease payment with carrying values of approximately HK$58,403,000 (2007: HK$179,000) and bank deposits of HK$2,285,000 (2007: 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:

	2008	2007
Effective interest rates:		
Variable-rate borrowings	4.1% – 8.9%	4.2% – 8.0%

27. LOANS FROM RELATED COMPANIES

	2008 HK$'000	2007 HK$'000
Interest-free loans	37,419	–
Variable-rate loans	88,470	–
	125,889	–
Analysed for reporting purposes as:		
Current liabilities	18,943	–
Non-current liabilities	106,946	–
	125,889	–

27. LOANS FROM RELATED COMPANIES *(Continued)*

The related companies are beneficially owned by Mr. Wang Zheng Chun, a Director of the Company.

Included in variable-rate loans is an aggregate amount of HK$28,348,000 (2007: Nil) which is denominated in Renminbi, which is not the functional currency of the relevant group entity. An aggregate amount of HK$88,470,000 loans are interest bearing at the commercial lending rate ("Rate") provided by commercial banks in the PRC minus 1% of the Rate per annum or at the Rate per annum. All loans are unsecured, which are either repayable on demand or have no fixed term of repayment except for loan amount of HK$106,946,000 which are due after one year but not exceeding two years of the balance sheet date.

Effective interest rate of the variable-rate loans is 6.29% for the year ended 31 December 2008.

28. SHARE CAPITAL

	Number of shares	**Value**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007	374,640,000	37,464
Shares issued (note a and b)	119,000,000	11,900
Exercise of share options	1,330,000	133
At 31 December 2007	494,970,000	49,497
Shares issued (note c)	35,000,000	3,500
At 31 December 2008	529,970,000	52,997

Notes:

(a) Pursuant to a placing agreement exercised 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 were disclosed in note 19.

(c) In July 2008, the Company issued 35,000,000 ordinary shares at an issue price of HK$0.27 per share for the acquisition of assets through purchase of a subsidiary, details of which are disclosed in note 35.

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

29. CONVERTIBLE NOTE

The Company issued a zero coupon convertible note in the aggregate principal value of HK$195,500,000 on 15 July 2008 as part of considerations paid for the acquisition of assets through purchase of a subsidiary, details of which are set out in note 35. The convertible note is denominated in Hong Kong dollars. The note entitles the holders to convert it into ordinary shares of the Company at any time between the date of having obtained the state-owned land use rights certificate and the physical possession and actual occupation in respect of the property in the name of Shanghai Zhuanfeng Land and Building Development Limited and its settlement date on 15 July 2010 at a conversion price of HK$0.46 per share. If the note has not been converted, they will be redeemed on 15 July 2010 at 104% of the principal amount.

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

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

	Liability component	**Conversion option derivative**
	HK$'000	HK$'000
Carrying amount at initial recognition	154,371	41,129
Interest charge	10,083	–
Gain arising on changes of fair value	–	(8,341)
As at 31 December 2008	164,454	32,788

30. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, bore interest at variable rates based on the commercial lending rate provided by commercial banks in the PRC announced by banks and was fully settled during the year ended 31 December 2008.

31. OTHER BORROWINGS

The other borrowings were unsecured, bore interest at a fixed rate of 7.3% per annum and were fully repaid during the year ended 31 December 2008.

32. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments of HK$1,019,000 (2007: HK$1,074,000) 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:

	2008	2007
	HK$'000	HK$'000
Within one year	**1,394**	592
In the second year	**1,158**	82
	2,552	674

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

33. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**409**	278

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share options granted

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

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.

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.

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.

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

(a) Share options granted *(Continued)*

The following tables disclose the movements of the Company's share options granted under the Share Options Scheme. There is no share option granted prior to 18 August 2006.

Options granted on 18 August 2006

Category	Exercise price per share	Estimated fair value per share option at the date of grant	Exercisable period	Number of share options outstanding at 1 January 2008	Lapsed during the year	Number of share options outstanding at 31 December 2008
	HK$	HK$				
Directors	0.2	0.0319	note (i)	1,980,000	(660,000)	1,320,000
Employees	0.2	0.0330	note (ii)	7,200,000	(900,000)	6,300,000
				9,180,000	(1,560,000)	7,620,000

Notes:

i. The share options are exercisable one year after 18 August 2006 to 10 April 2012.

ii. One-fifth of the share options granted to the employees will be vested annually in the next five years from 18 August 2006. Upon the lapse of vesting period, the share options are exercisable until 10 April 2012.

Options granted on 10 January 2008

Category	Exercise price per share	Estimated fair value per share option at the date of grant	Exercisable period	Number of share options at 1 January 2008	Number of share options granted during this year	Number of share options 31 December 2008
	HK$	HK$				
Employee	0.842	0.4648	note (i)	–	10,000,000	10,000,000

Note:

(i) The first 5,000,000 share options will be vested one year after 10 January 2008. The remaining balance of 5,000,000 share options will be vested two years after 10 January 2008. Upon the lapse of vesting period, the share options are exercisable until 9 January 2018.

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

(a) Share options granted *(Continued)*

Options granted on 7 March 2008

Category	Exercise price per share HK$	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options at 1 January 2008	Number of share options granted during this year	Number of share options lapsed during the year	Number of share options 31 December 2008
Employees	0.46	0.2935	note (i)	–	17,400,000	(1,400,000)	16,000,000

Note:

(i) One-fifth of the share options granted to the employees will be vested annually in the next five years from the Grant Date. Upon the lapse of vesting period, the share options are exercisable until 6 March 2018.

Options granted on 5 May 2008

Category	Exercise price per share HK$	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options at 1 January 2008	Number of share options granted during the year	Number of share options 31 December 2008
Employees	0.322	0.1769	note (i)	–	6,150,000	6,150,000

Note:

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

The fair value was calculated using the Binomial option pricing model ("the Model"). The inputs into the Model were as follow:

	Options granted on 10 January 2008	7 March 2008	5 May 2008
Closing share price at the date of grant	HK$0.76	HK$0.44	HK$0.305
Exercise price	HK$0.842	HK$0.45	HK$0.322
Expected volatility	74.84%	76.02%	75.40%
Expected life	10 years	10 years	10 years
Risk-free rates	3.155%	2.739%	2.730%

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

(a) Share options granted *(Continued)*

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

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$6,369,000 for the year ended 31 December 2008 (2007: HK$131,000) in relation to share options granted by the Company.

During the year ended 31 December 2008, 2,960,000 share options were lapsed and no share options were exercised and cancelled during the year.

(b) Exclusive Supply Agreement

On 4 December 2007, the Group entered into an exclusive supply agreement with T&E as set out in note 19. Under the exclusive supply agreement, the Group is obliged 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. The issue of the ordinary shares and the convertible note under the Exclusive Supply Agreement were completed on 31 December 2007. However, as mentioned in note 19, the Directors of the Company are in the opinion that the Annual Delivery Guarantee was unlikely to be met. As a result, no convertible note has been recognised in the consolidated balance sheet.

35. ACQUISITION OF ASSETS THROUGH PURCHASE OF A SUBSIDIARY

On 15 July 2008, a subsidiary of the Company acquired the entire issued share capital of Auhui Jinwang Investment Development Company Limited ("Anhui Jinwang") at a consideration of HK$204,950,000. The principal asset of Anhui Jinwang is its entire interest in Shanghai Zhuanfeng Land and Building Development Limited, which has a deposit paid for the acquisition of a parcel of land located in Shanghai, the PRC with a site area of around 57,045 square meters.

The net assets acquired in the shown transaction are as follow:

	HK$'000
Net assets acquired:	
Property, plant and equipment	322
Amount paid for acquisition of interest in a land	221,775
Bank balance and cash	7,368
Amount due to a related company	(24,515)
	204,950
Total consideration satisfied by:	
Shares issued	9,450
Convertible note issued – liability component (note 29)	154,371
Conversion option derivative (note 29)	41,129
	204,950
Net cash inflow arising on acquisition:	
Bank balance and cash acquired	7,368

36. 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 Group's employees who are employed by subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Total contributions to retirement benefits schemes charged to consolidated income statement amounted to HK$823,000 (2007: HK$1,546,000).

37. RELATED PARTY TRANSACTIONS

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

(a) The Directors of the Company consider that the remuneration of key management personnel of the Group is set out in notes 11 and 12.

(b) Transaction and balance with a Director are set out in notes 13 and 30, respectively.

(c) Transaction and balances with related companies are set out in notes 13 and 27, respectively.

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into the non-cash transactions as follow:

(i) During the year, the Group allotted and issued 35,000,000 ordinary shares of HK$0.10 each at an issue price of HK$0.27 per share and issued the convertible note in the aggregate principal value of HK$195,500,000 for acquisition of assets through purchase a subsidiary, details of which are set out in note 35.

(ii) During the year, an amount due to a director of approximately HK$46,658,000 was assigned to a related company which is beneficially owned by Mr. Wang Zheng Chun, a Director of the Company.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company 2007	2008	Principal activities
Auhui Jinwang Development Investment Company Limited#	WFOE	PRC	Registered capital of RMB50,000	–	**100%**	Investment holding
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
Shanghai Zhuanfeng Land and Building Development Limited#	WFOE	PRC	Registered capital of RMB10,000,000	–	**100%**	Development of real estate properties
Suzhou Dong Xin Tools Co., Ltd.	WFOE	PRC	Registered capital US$556,000	100%	**100%**	Manufacture and distribution of power tools
Suzhou Rheinkraft Tools Company Limited	WFOE	PRC	Registered capital US$500,000	100%	**100%**	Manufacture and distribution of power tools

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company 2007	2008	Principal activities
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.	Corporation	Hong Kong	Ordinary share HK$1	100%	**100%**	Trading of power tools and air tool subsequent to the balance sheet date
Wang Sing Products Limited	Corporation	Hong Kong	Ordinary shares HK$1,000,000	100%	**100%**	Trading of power tools and air tools
Wealth Code Inc.	Corporation	British Virgin Islands	Shares US$50,000	100%	**100%**	Investment holding
Well China International Limited	Corporation	British Virgin Islands	Share US$1	100%	**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

New subsidiaries acquired during the year

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

Financial Summary

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	317,569	263,406	233,571	226,544	**186,331**
Profit (loss) for the year attributable to the equity holders of the Company	18,608	(9,538)	(116,546)	(88,546)	**(77,463)**

	At 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Assets and liabilities					
Total assets	386,596	423,204	302,568	313,172	**451,398**
Total liabilities	(177,405)	(230,928)	(223,442)	(228,314)	**(425,675)**
	209,191	192,276	79,126	84,858	**25,723**
Equity attributable to equity holders of the Company	209,194	192,276	79,126	84,858	**25,723**
Minority interest	(3)	–	–	–	**–**
Shareholders' funds	209,191	192,276	79,126	84,858	**25,723**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zheng Chun *(Chairman)*
Mr. Wang Shu (resigned on 26 March 2009)
Miss Chen Wai Wah (resigned on 22 October 2008)
Mr. Chen Wai Yuk (resigned on 22 October 2008)
Mr. Zheng Wei Chong
Mr. Zhang Xiu He (appointed on 22 October 2008)
Mr. Xu Wen Cong (appointed on 22 October 2008)

Non-executive Director

Mr. Ho Hao Veng

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Zheng Wei Chong
Mr. Chu Kin Ming

COMPANY SECRETARY

Mr. Liu Hoi Keung (resigned on 8 September 2008)
Mr. Chu Kin Ming (appointed on 8 September 2008)

AUDIT COMMITTEE

Mr. Ma Kwai Yuen (appointed on 8 September 2008)
Mr. Ho Hao Veng
Mr. Wei Tong Li
Mr. Hui Chuen Fan, Matthew
(resigned on 5 September 2008)
Mr. Ang Siu Lun, Lawrence
Mr. Law Wing Tak, Jack
(appointed on 22 October 2008)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

2389

WEBSITE

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

Suite 4701, 47/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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