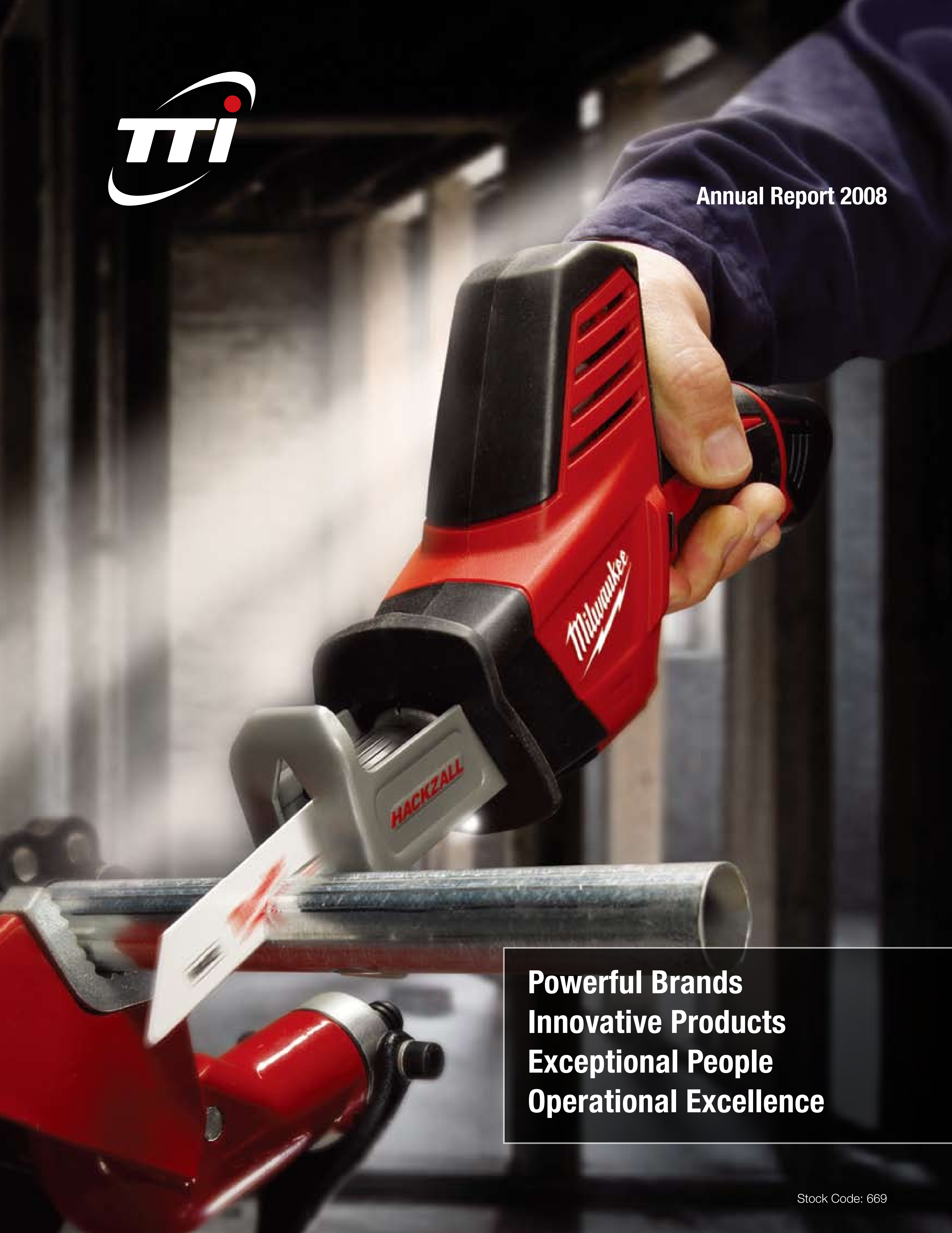


Annual Report 2008

Powerful Brands
Innovative Products
Exceptional People
Operational Excellence

Stock Code: 669

Contents

Corporate Profile

Outstanding performance delivered through an unrelenting strategic focus on powerful brands, innovative products, operational excellence and exceptional people is what makes TTI a world-class leader in quality consumer, professional and industrial products marketed to the home improvement, repair and construction industries.

Our powerful brands are recognized worldwide for their heritage, quality, and performance. Through our commitment to R&D, culture of innovation, and strong customer partnerships, we consistently deliver the high-quality products that meet the specific needs of the end-user.

TTI is designed to innovate, to grow, and to deliver long-term value to our shareholders.

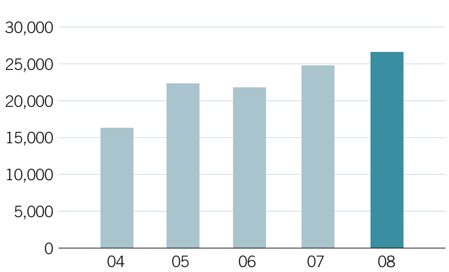
Front cover: The Milwaukee® M12™ Cordless Hackzall™ puts versatility in the palm of your hand. With a light weight compact design, it cuts up to 80 pieces of 1- 1/2" pvc on a single charge. The M12™ Hackzall™ is powered by lithium-ion, and delivers the power and torque required for professional applications, in a size that reaches the tightest and toughest places.

Financial Highlights

	2008 HK$ m	2007 HK$ m	2008 US$ m	2007 US$ m	Changes %
Operations					
Sales	**26,615**	24,775	**3,412**	3,176	+7.4%
EBITDA (before other income, before restructuring and relocation costs, before goodwill impairment)	**2,002**	1,585	**257**	203	+26.3%
EBITDA (after other income, before restructuring and relocation costs, before goodwill impairment)	**2,074**	1,962	**266**	251	+5.7%
EBITDA	**1,278**	1,219	**164**	156	+4.8%
Restructuring and relocation costs	**718**	743	**92**	95	-3.4%
Profit attributable to equity holders of the parent (before other income, before restructuring and relocation costs, before goodwill impairment)	**899**	491	**115**	63	+83.1%
Profit attributable to equity holders of the parent (after other income, before restructuring and relocation costs, before goodwill impairment)	**971**	868	**124**	111	+11.9%
Profit attributable to equity holder of the parent	**175**	125	**22**	16	+40.0%
Basic earnings per share (HK/US cents)	**11.64**	8.41	**1.49**	1.08	+38.4%
Dividend per share (HK/US cents)	**6.00**	8.00	**0.77**	1.03	-25.0%
Financial position at year end					
Total assets	**21,789**	24,969	**2,793**	3,201	-12.7%
Net current assets	**1,050**	2,971	**135**	381	-64.7%
Equity attributable to equity holder of the parent	**6,839**	6,920	**877**	887	-1.2%
Capital expenditure	**719**	860	**92**	110	-16.4%
Net book value per share (HK$/US$)	**4.56**	4.61	**0.58**	0.59	-1.1%

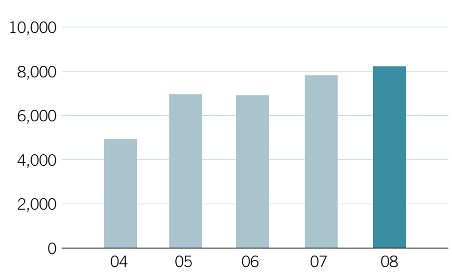
Sales

HK$ 26,615m
US$ 3,412m
+7.4%



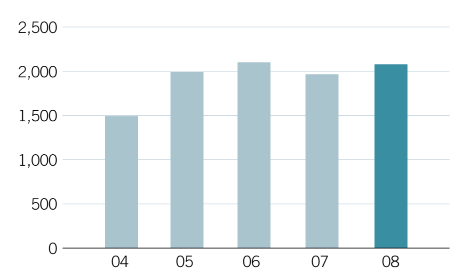
Gross Profit

HK$ 8,207m
US$ 1,052m
+5.1%



EBITDA before Restructuring Cost & Goodwill Impairment

HK$ 2,074m
US$ 266m
+5.7%



Chairman's Statement

- Profits increased by 40%
- Record sales on 7.4% growth
- Growth driven by new innovative products
- Competitiveness enhanced by strategic repositioning
- Lower operating expenses
- Improvement of free cash flow

Record Sales on 7.4% Growth

TTI Group delivered record sales in 2008 of HK$26.6 billion, an increase of 7.4% over the prior year and a full year profit of HK$175 million, a 40% increase over 2007. This includes the one-time restructuring costs of the Strategic Repositioning Plan which was announced in 2007. Profit without the restructuring and relocation costs, goodwill impairment, and other income grew 83.1% to HK$899 million from HK$491 million in 2007. Earnings per share increased 38.4% to HK$0.1164 over the prior year.

In 2008, the Group's momentum was maintained while managing the global economic challenges. The resilience of our business is reflected in our sales, profit, and balance sheet improvements during the year. Positive results were achieved through new product development programs, cost containment initiatives, and implementation of our Strategic Repositioning Plan ahead of the economic challenges of 2008. The Plan has improved the manufacturing cost profile and the competitiveness of the Company. We are prepared to handle the economic challenges in 2009.

The Group generated HK$740 million of free cash flow in 2008, reflecting improved working capital and reduced capital expenditures (CAPEX). While CAPEX for new product development continued, prudent management lowered overall CAPEX by 16% to HK$719 million from HK$860 million in 2007. Additional cash was generated from operational improvements and global supply-chain consolidation resulting in a 24% reduction in inventory of HK$1.4 billion to HK$4.5 billion at the end of 2008 compared with 2007.

The Directors have recommended a final dividend of HK$0.03 per share for the year ended December 31, 2008 payable to the Company's shareholders whose names appear on the Register of Members of the Company on May 27, 2009. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on July 31, 2009. This payment, together with the interim dividend of HK$0.03 per share paid on September 29, 2008, makes a total payment of HK$0.06 per share for 2008.

Growth Driven by New Innovative Products

TTI is committed to delivering quality, innovation, and exceptional value to its customers. This focus has provided continuous gains in the Group's market position and has driven record sales results. TTI launched over 350 new products across all core categories and gained strong traction in new categories with substantial sales and profit growth potential. Approximately 30% of our 2008 sales were generated from our new products. We were able to achieve this level of new product vitality through improved R&D productivity that maintained spending below 2% of sales, which is consistent with historical levels without compromising end-user driven innovation.

Competitiveness Enhanced by Strategic Repositioning

In 2007, the Board of Directors approved the Strategic Repositioning Plan, an initiative for the Group to fully leverage and exploit the synergies and growth opportunities offered by its acquisitions and business scale. The initiatives included re-deployment of our global manufacturing and product development operations; reorganization of resources around newly created business units for more efficient management of brands and products; and investments to expand our well-positioned and recognized brands and innovative products into relevant markets.

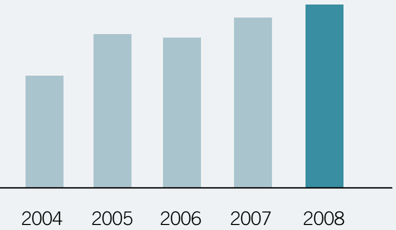
Lower Operating Expenses

The global management team addressed the challenge to drive down operating expenses and as a result, direct labor and manufacturing overhead were reduced by 9% from 2007 levels. The New Industrial Park in Dongguan, China achieved full production during the second half of the year. Even with higher sales, SG&A expenses were reduced from 27.9% of sales in 2007 to 25.9% in 2008. This was achieved without sacrificing our commitment to product development, brand support, and product promotion through control and allocation of all areas of the SG&A spend.

Sales

5-year Average Growth Rate

+15%



Free Cash Flow

Improvement

HK$

+1.2b

The sales volume increase and cost reduction activities increased Gross Profit to HK$8.2 billion in 2008 from HK$7.8 billion in 2007. Our Gross Margin percentage softened to 30.8% of 2008 sales. Materials inflation led the erosion, but was partially offset by business and product mix improvements and reductions in the direct labor and manufacturing overheads. Profit from Operations grew 4% due to the leveraging of the SG&A expenses. The Floor Care and Appliances business continued its improvement following the Hoover integration as Profit from Operations expanded from 1.9% of sales in 2007 to 3.2% of 2008 sales. Management is convinced that the trend will continue.

Improvement of Free Cash Flow

The reduction of CAPEX and lower inventory contributed to significant free cash flow improvement of HK$1.2 billion from the 2007 level. A well-controlled global inventory management resulted in lower days sales on hand of 62 days from 88 days in 2007. The Company reduced CAPEX in 2008 and the completion of the New Industrial Park means capital requirements will be lower going forward. Together, we expect free cash flow to continue to improve.

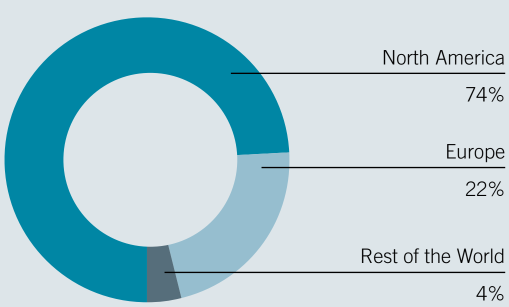
The improvement in free cash flow has enabled the Group to further reduce our bank debts. Our capital structure remains strong and we successfully refinanced approximately 80% of a HK$1.0 billion syndicated loan in March 2009. In December 2008, net gearing was reduced.

Outlook

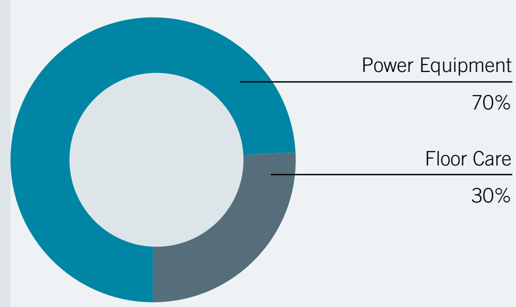
The Group expects a challenging environment ahead in light of the ongoing economic weakness in our main markets of US and Europe. TTI will address this with a focus on its core strengths of product innovation around powerful brands and best-cost manufacturing to sustain its competitive advantage. Our powerful brands continue to increase visibility enabling the Company to forge ahead. We will further enhance our brands by delivering innovative new products and services to fuel market share gains.

Our commitment to developing innovative and quality products at competitive costs is the engine of our business; driving sales, market share gains, and entry into the new markets. We are encouraged by the end-user response to the new products introduced last year and are confident that we can build on this success. TTI has proven its ability to improve its market position during difficult economic conditions.

Sales by Geographic Location



Sales by Product



Another important ingredient of TTI's strength and competiveness is our unrelenting drive for cost efficiency. We have prioritized lowering manufacturing cost by increasing the scope of the Cost Improvement Programs (CIP) and reducing our SG&A cost base as initiatives for 2009. This will allow us to expand gross margins, improve working capital management, and help to achieve the goal of growing free cash flow and improving our capital structure.

The Strategic Repositioning Plan has provided a powerful platform for further productivity gains and the New Industrial Park is generating manufacturing cost improvements through reduced labor and overhead costs, ongoing cost improvement programs, and rigorous material purchasing. We are driving execution of cost savings through our Operating Cycle Deployment of quarterly operating reviews across all businesses and functional areas. The Management has set aggressive internal cost goals and having already made many of the difficult decisions to restructure the global manufacturing operations, is confident these will be accomplished. We have laid the foundation to meet the challenges of 2009 and move TTI to a higher level.

Our efforts in 2008 were ambitious, but the reward was to have TTI recognized as a world leader in the industries it serves. This could not have been achieved without the professionalism and commitment of our employees whom I would like to thank. We are confident shareholders can look forward to the rewards of this hard work as TTI is positioned for a sustained period of focused, organic growth. I thank my fellow Directors for their continued support, advice and thoughtful approach to corporate governance and oversight. We also sincerely appreciate the continuous support of our shareholders, suppliers, customers, and partners.

Horst Julius Pudwill
Chairman

Vice Chairman's Message

"Last year we started to see the new pace of product innovation at TTI and you can expect that to become a recurring feature of the Group, driving growth and our competitive leadership in the market."

Dr. Roy Chi Ping Chung JP
Group Vice Chairman

It has given me great pleasure to see TTI grow from a Hong Kong and China manufacturer into a truly global organization, excelling in both manufacturing and marketing. We have achieved 14 consecutive years of sales growth and built an unrivalled portfolio of powerful brands during this period.

While the past year was undoubtedly one of the most challenging in TTI's history as we faced the fallout from the global financial tsunami, I am extremely pleased with our progress and accomplishments. It is when TTI is put to the test that it shows its full strength as one of the most resilient and innovative companies in the industries it serves.

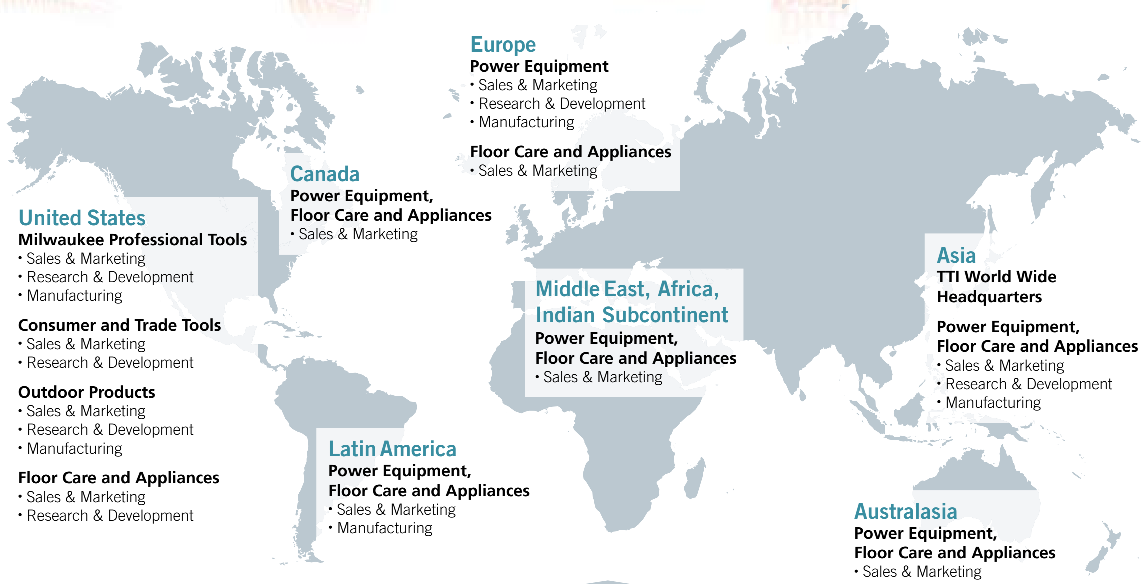
Our results in 2008 illustrate the benefits of putting the Group on a firm footing with the Strategic Repositioning Plan so that we at TTI are confidently in control of our own destiny. A big part of the plan is our new China manufacturing and development campus that is now fully functioning, delivering a flexible and competitive cost manufacturing base that cushions the company against volatile economic conditions. And by housing PRC manufacturing and R&D in one purpose-built complex, we are now realizing multiple efficiency gains through better costs, improved processes, and faster innovation.

Last year we started to see the new pace of product innovation at TTI and you can expect that to become a recurring feature of the Group, driving growth and our competitive leadership in the market. We are able to deliver best-in-class highly-innovative products that are increasingly outperforming the competition as they become the preferred choice of customers worldwide.

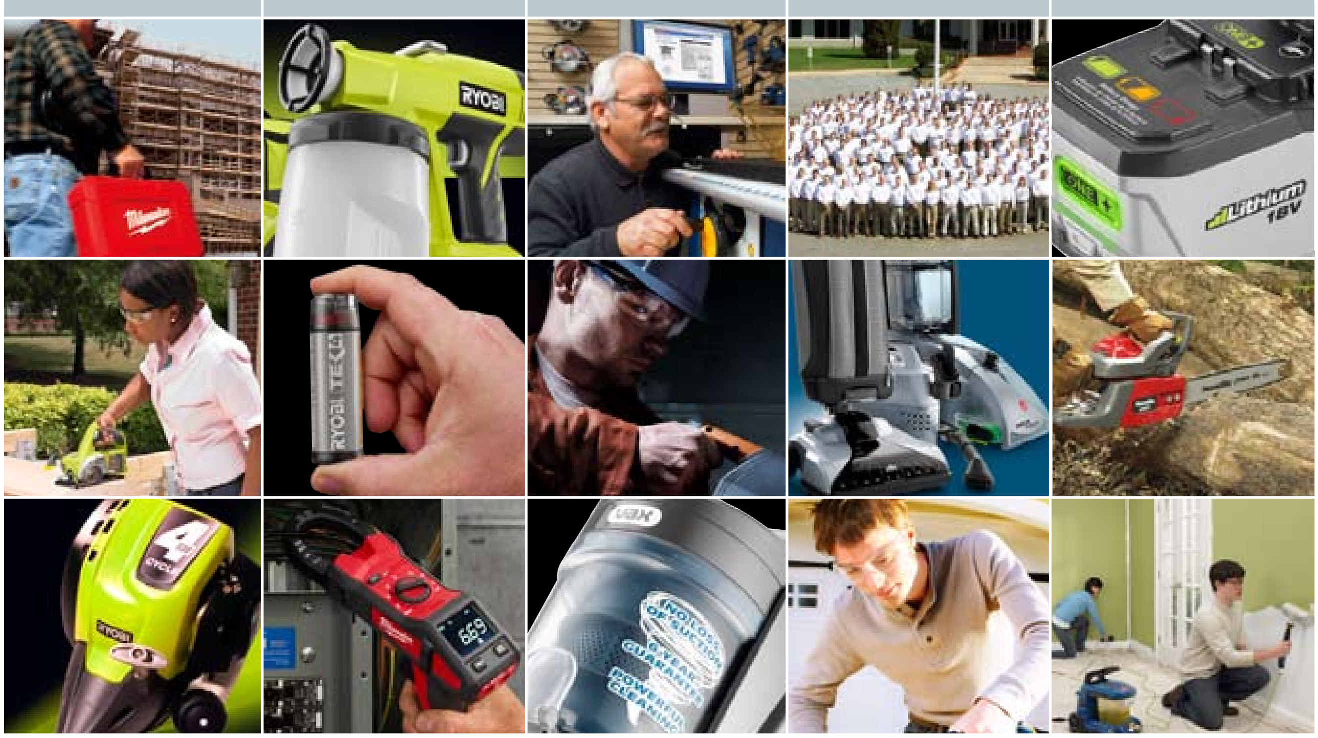
This has required great teamwork, diligence, commitment, and above all, passion. I am very encouraged by the way TTI's global management team has executed this transformation of the Group while continuing to increase sales. TTI continues to grow as it gains further traction in new markets around the world but its goal remains the same. TTI is committed to becoming number one in the industries it serves and I am extremely excited about the Group's future and opportunities that lie ahead of us.

Dr. Roy Chi Ping Chung JP
Group Vice Chairman

POWERFUL BRANDS



POWERFUL BRANDS | INNOVATIVE PRODUCTS | EXCEPTIONAL PEOPLE | OPERATIONAL EXCELLENCE | OUTSTANDING PERFORMANCE



Chief Executive Officer's Message

- Maximize profit
- Drive Free Cash Flow
- "Outgrow" the market
- Set the stage for the future

TTI has a disciplined plan to ensure we deliver outstanding results even in a difficult economic environment.

Maximize Profit

We have worked hard to reduce overhead expenses. Our Strategic Repositioning Plan is complete and the savings from the Plan are well ahead of target. Our world-wide head count has been reduced from 23,685 to 19,354 by the year end of 2008.

We are implementing our Operational Excellence initiative to drive manufacturing productivity and reduce product cost. Our new state-of-the-art manufacturing facility in China is a catalyst to drive down cost.

Drive Cash Flow

We have implemented a disciplined Supply Chain management program to reduce inventory. In 2008 we cut inventory days from 88 to 62. We will continue to systematically drive down inventory while maintaining high levels of service.

We have adopted a conservative stance on receivables with a focus on reducing our DSO.

CAPEX will be reduced following the completion of our new manufacturing facility. We are focusing on supporting New Product Development and utilizing low-cost capital equipment alternatives. All of these actions will drive further cash flow improvement.

Outgrow the Market

TTI continues to outgrow the market because of our continuous stream of innovative new products and new businesses.

We are highly focused on the key growth segment of cordless power tools. TTI is rolling out a wide range of leadership lithium-ion cordless tools in all of our brands. Our cordless products are creating end-user excitement and growth in a tough market.

We are in the process of launching 6 new businesses! By the second half of 2009, we will have rolled out:

1. Test & Measurement
2. TEK4™ - 4V lithium-ion tools
3. Painting Systems
4. Tile Saws
5. Generators
6. Paper Shredders

These new products will enable TTI to organically grow sales beyond our core business.

Set the Stage for the Future

While we are aggressively cutting costs, we have been careful to maintain R&D investment to fuel our future new product flow.

We are obsessed with supporting our retail and distribution partners world-wide. TTI is focused on helping our customers achieve their goals with our brands, products, and marketing support programs.

Our LDP campus recruiting program has been highly successful. As of today, 77 LDP recruits have been promoted into their second job and 11 into their third position within just two years.

This program is developing many future TTI leaders.

I would like to thank our people around the world for working hard to position TTI for an exciting future.

And I would like to thank Horst Pudwill and Roy Chung for their dynamic leadership and their unrelenting pursuit of our vision.

Joseph Galli Jr
Chief Executive Officer

Our Strategic Roadmap 2008 Review

Our Drivers

- Powerful Brands
- Innovative Products
- Exceptional People
- Operational Excellence

Drive Sales Growth

Growth begins with our Powerful Brands and is backed by a commitment to R&D, which generates the innovation to drive sales in new products, new product categories, and new markets.

- Sales growth of 7.4% in a challenging year was powered by a new product vitality rate of approximately 30%.
- Innovative cordless products were a major driving force behind the 350+ new products launched.
- The introduction of new tools doubed lithium-ion sales, further enhancing our cordless leadership.
- Entry into new portable generator and shredder categories during the second half benefited from key retail partner backing and end-user acceptance.

2008 New Product Vitality

350+ new products launched

Gross Margin Enhancement

Initiatives to increase our sales of margin enhancing new products and lower costs through comprehensive productivity improvement programs are the strategic drivers for improving gross margins.

- Raw material and manufacturing cost challenges were partially offset by the new product introductions, our systematic Cost Improvement Programs (CIP), and Strategic Repositioning Plan savings.
- The New Industrial Park in China delivered manufacturing efficiency gains and contributed to 9% lower labor and manufacturing overhead costs when compared to 2007.
- The 2008 savings of HK$377 million were generated from the Strategic Repositioning Plan.

Strategic Repositioning Plan

HK$377m savings

Organizational Development

We seek to build the strongest management team in the industry by combining leading industry talents and actively developing our own human capital.

- TTI encourages creative thinking and we pride ourselves on an ability to “retool” our strategies to aggressively respond to fast changing markets and seize new opportunities.
- Future leaders are recruited at top universities and prepared for future assignments through the TTI Leadership Development Program (LDP).
- Exceptional People are a strategic imperative for TTI to consistently execute our operational and financial goals which create value for our customers and shareholders.

Leadership Development Program (LDP)

250+ recruits

Operating Cycle Development

To drive Operational Excellence and successful innovation across a global organization, TTI deploys a rigorous planning and operating review process to guide everything from new product innovation to monthly financial reporting.

Key highlights include:

Strategic Planning ensures that our operating companies are all working in a strategic direction and building sustainable competitive advantages.

Operations Reviews control the execution of financial performance in our operating companies and played a key role in delivering our sales and profit growth in a challenging 2008.

Global Product Summits highlight the importance of innovation to TTI by strategically directing the R&D focus and accelerating the introduction of product and technologies across the Group's global businesses.

Performance Scorecard establishes Key Performance Indicators for our supply base across productivity, DPO, lead-time, service levels, and quality. This initiative is an important process for driving efficiency and productivity gains in our supplier base.

Generate Free Cash Flow

We strive to generate free cash flow by improving our working capital management and ensuring the most efficient use of capital across our operating businesses.

- A positive free cash flow of HK$740 million, a significant improvement of HK$1.2 billion from the 2007 level.
- Capital expenditure was reduced by 22% through better planning and negotiations.
- Inventory was lowered by HK$1.4 billion or 24% and turnover days improved from 88 days in 2007 to 62 days in 2008.

Operating Cycle

Strategic Planning Organization Review Budget	Annually	Global Supplier Summits Performance Score Card	Quarterly
Global Product Summits	Semi-Annually	Operations Reviews	Quarterly

Inventory

HK$ 1.4b reduction

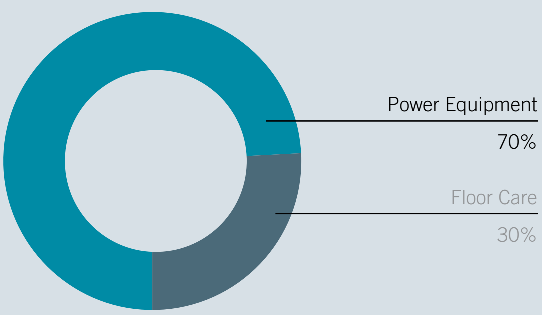
Power Equipment & Accessories

2008 Highlights

- Global sales grew 9.8%
- North America sales up double-digit
- Cordless power tools expanded over 30%
- Lithium-ion cordless tool sales doubled
- 240+ new products launched
- Entered portable generator category

Our largest business segment consists of Power Tools, Power Tool Accessories, Outdoor Products, and Outdoor Product Accessories for the consumer, trade, professional and industrial user. The products are available under the powerful brands Milwaukee®, AEG®, Ryobi®, and Homelite®, plus important OEM customers. Our brands are among the leaders in their served markets and available through the largest and best retailers, dealers, and distributors around the globe.

Divisional Turnover



Milwaukee® AEG
Homelite® RYOBI
STILETTO®


RYOBI
Lithium
18V
RYOBI


RYOBI


Milwaukee
6.69
A
OFF


3500
3000
Homelite


RYOBI

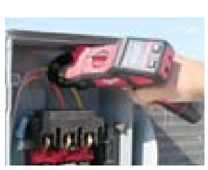
Professional & Industrial

Nothing but HEAVY DUTY.®

Since its founding in 1924, Milwaukee Electric Tool Corporation has catered to the professional user as an industry leading manufacturer and marketer of industrial heavy-duty power tools, accessories, and safety equipment. With a product line including more than 500 power tools and 3,500 accessories, Milwaukee Electric Tool Corporation is an industry leader in power tool innovation with over 161 US and 168 foreign patents currently active. With the recent additions of the M18™ and M12™ systems, Milwaukee Electric Tool Corporation continues to provide innovative solutions to offer industry leading balance, power, and ergonomics.

M12 LITHIUM-ION

The innovative M12™ System is designed to deliver the power and torque required for professional applications, in a size that reaches the tightest and toughest places. Powered by lithium-ion, the M12™ system offers power, speed, and tool belt portability.



Milwaukee® will launch a new category in July strategically targeting electricians and HVAC/R technicians. Delivering on Milwaukee's commitment to innovation, the new Test and Measurement line not only includes traditional alkaline products, but applies Milwaukee® industry leading lithium-ion technology to deliver products on the growing M12™ platform.

M18 LITHIUM-ION

The M18™ Cordless System's patented technologies and electronics, innovative motor design, and superior ergonomics provide the most efficient blend of power, weight and performance in the industry. Powered by lithium-ion, the M18™ cordless system delivers more torque, more power, and longer run-time than the competition.

Designed for heavy duty applications, Milwaukee® branded accessories deliver innovative design and exceptional performance.

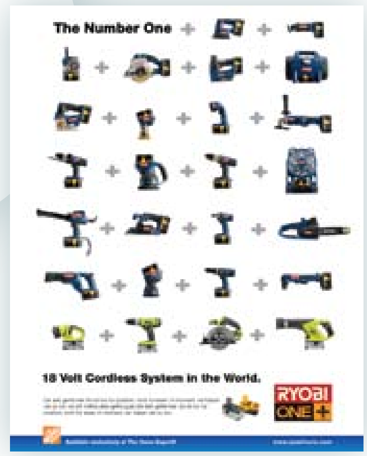
Consumer & Trade

Pro Features, Affordable Prices.® Ryobi® power tools have select features customers expect to find on more expensive professional tools. The blend of these professional features with value pricing makes Ryobi® the perfect choice for DIY'ers and cost conscious pros.

COMPATIBLE POWER FOR OVER 35 18 VOLT TOOLS

makes Ryobi® One+System® the most affordable and versatile system in the world.

The Ryobi® One+System® lets you buy 18V cordless tools, batteries, and chargers individually, in any combination and order you choose.



Ryobi® 18V lithium-ion Combo Kit. The perfect 4-tool combo for do-it-yourselfers, remodelers, and pros.

Ryobi® 12V lithium-ion. Four-piece PowerPak tools are 40% more compact and 50% lighter combined with the performance of lithium-ion.

Ryobi® 18V Autoshift™ Drill. The world's first drill to have an automatic transmission so you can stop guessing which speed to choose for your application.

Ryobi® drilling and driving accessory sets provide added performance at an exceptional value

***Ryobi® Power Paint Tools.** New highly innovative line of power paint applicators made to change the way users paint including the cordless sprayers and Duet™ Power Paint System which allows 2 users to work simultaneously from the same paint source.*

***Ryobi® Tile Saws.** New feature-packed line of handheld and portable Ryobi® Tile Saws designed to help tackle projects in and outside the home.*

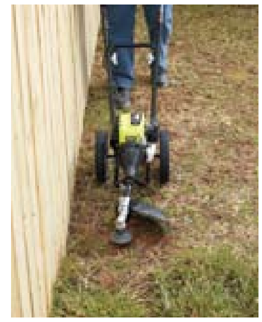
RYOBI TEK4
CORDLESS ELECTRONIC TOOLS

The new innovative line of cordless electronic tools featuring the 4V lithium-ion battery provides maximum performance, durability and runtime.

Outdoor Products

Innovative tools designed to deliver better features, more versatility, and more user comfort. Leading the industry in innovation and versatility, our Outdoor Products are the perfect choice for any lawn and garden enthusiast.

Ryobi®'s exclusive Electric Push Button TouchStart™ Features new 12V Electric Start Technology with on-board charging and recoil backup.



Ryobi® 4 Cycle products feature a new patented engine design that requires no gas/oil mix and delivers more power with lower emissions and less noise.

Ryobi® 4 Cycle Trimmers are simple to start, attachment capable, and are up to 30% lighter weight than competitive products.

Our patented 4 Cycle engine can also be found on our new wheeled trimmer, edger, and cultivator.

Homelite®

Best-in-class Outdoor Products designed for dependability and ease-of-use make Homelite® products great for do-it-yourselfers.

Homelite® Corded Electrical products are feature-packed and value-priced. These products are best-in-class, making them easy to use and easy on the budget.

Homelite® Generators provide reliable power where you need it most; whether you need it for emergency back-up or on-the-job.

Homelite® Gas Powered Chain Saws deliver results and save time. Every saw in our line-up features vibration isolation, tool-less chain tensioning, and an automatic oiler.

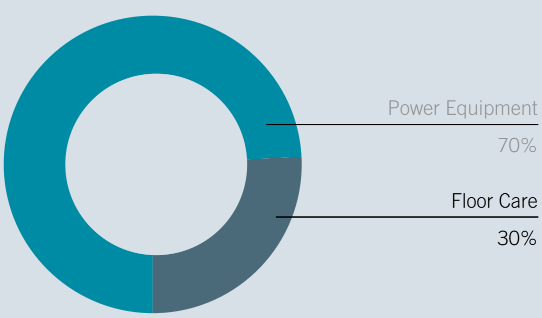
Floor Care and Appliances

2008 Highlights

- Global sales grew 2.3%
- Operating profit turnaround, up 76.0%
- Double-digit sales growth outside North America
- Hoover® Platium Collection™ introduced
- 110+ new products launched
- Entered shredder category

This business segment is comprised of our powerful brands and important OEM businesses. Our iconic Hoover®, Dirt Devil®, and Vax® brands are innovation leaders in the Floor Care industry. We have fully and profitably integrated the 2007 acquisition of Hoover®. Profit improved with the launch of new products, discontinuation of older products, and operational improvements. We continue to support OEM customers with technology and product innovation at competitive prices.

Divisional Turnover




W I N D T U N N E L
TECHNOLOGY


vax
MACH 7
WINDTUNNEL TECHNOLOGY
NO LOSS OF SUCTION
6 YEAR GUARANTEE
AUTOMATIC
cord rewind
HEPA
filter


Dirt Devil
vision
CYCLONIC
HEPA
12
AMP


Dirt Devil

Floor Care and Appliances

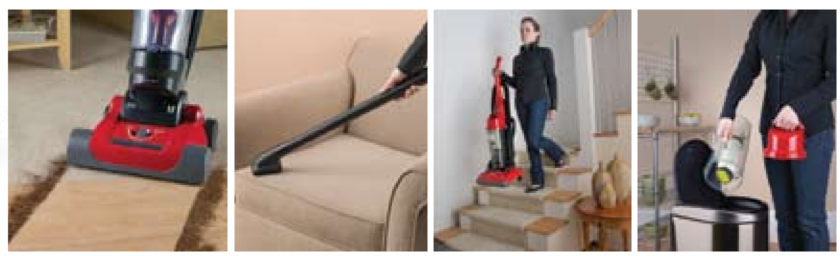
The Platinum Collection™ maximizes the patented WindTunnel® technology by combining it with other high performing technologies. For example, the Platinum Collection™ Cordless Stick Vac is the world's first Stick Vac to utilize the WindTunnel® technology and lithium-ion power, creating a powerful Stick Vac with the ease and convenience of cordless.

Dirt Devil®

Dirt Devil® is one of the most popular and highly-recognized Floor Care brands in North America. Dirt Devil® made its name through its signature product, the Dirt Devil® Hand Vac which is the largest ever selling Hand-Held Corded Vac in the United States with over 23 million units sold since it was launched in 1984.

Dirt Devil® has capitalized on this popularity and recognition to re-established itself as the value brand offering a line-up of simple yet innovative products. Dirt Devil® is going back to basics in the US - and back to RED!

Today the Dirt Devil® red line of product spans Bagged and Bagless Uprights, Hand Vacs, Stick & Broom Vacs, Canister Vacs, Carpet Cleaners, and Shampooers.



vax®

Vax® is the number one Floor Care brand offering the widest range of carpet washers and vacuum cleaners than any other UK competitor. Recent launches offering innovation, performance and value have positioned Vax® at the premium segment of each category. Heated cleaning carpet washers with Dual V® suction and Spinscrub® brush technology clean deeper, meaning that carpets are cleaner and dry quicker. No-Loss-of-Suction vacuum cleaners clean as good as the first time, every time. Both are perfect solutions for customers who have busy homes. Vax® recently introduced a range of commercial grade products and is developing this market.

HEATED CLEANING

SPINSCRUB

Dual V

NO LOSS OF SUCTION

MACH

Global Operations and Management

North America

TTI

Sean Dougherty
Chief Financial Officer

Dyann L. Kostello
Vice-President and General Counsel

Matt DeFeo
Vice President,
Store Coverage, Campus Recruiting & Training

TTI Floor Care

Chris Gurreri
President

Matt Shene
Chief Financial Officer

John Remmers
Executive Vice President,
Engineering & NA Manufacturing

Patrick Cartellone
Vice President,
Sales

Jeff Collins
Vice President,
Marketing, Hoover

TTI Canada

Craig Baxter
President

Russ Laird
Vice President,
Finance

TTI Power Equipment

Mike Farrah
President,
Power Tools Group

Lee Sowell
President,
Outdoor Products Group

Ken Faith
Chief Financial Officer

Mark Hartman
Senior Vice President,
Marketing, Power Tools Group

Ken Goodgame
Senior Vice President,
Business Development,
Outdoor Products Group

Nate Easter
Senior Vice President,
Operations, Outdoor Products Group

Bob Gautsch
Senior Vice President,
Power Tools R&D & New Markets

Ken Brazell
Senior Vice President,
Industrial Design & Concept Development

Jason Morris
Senior Vice President,
Power Tools Accessories

Wade Franks
Senior Vice President,
Creative Services

Danny Bottoms
Senior Vice President,
Distribution

Milwaukee Tools

Steven P. Richman
President

Shane A. Moll
Senior Vice President &
General Manager, Tools

Darrell R. Hendrix
Senior Vice President,
Sales

Tom A. Mastaler
Senior Vice President,
Operations

Scott Griswold
Senior Vice President &
General Manager, Accessories

David A. Selby
Senior Vice President,
Engineering

Ty Stravinski
Vice President &
Chief Financial Officer

Mike Jones
Vice President &
General Manager,
Test & Measurement

South America

TTI Latin America

Rodrigo Villanueva
President

Europe, Middle East, Africa & Indian Subcontinent

TTI

Alexandre Duarte
President

Philippe Buisson
Chief Financial Officer

Tom Simons
Vice President,
Supply Chain

Alexandre Thorn
Managing Director,
France & Benelux

Keith Wilson
Managing Director,
UK & Ireland

Robert Vos
Vice President & Managing Director,
Middle East & Africa

Tommaso Comboni
General Manager,
Italy

Thomas Jacobsson
General Manager,
Nordic

Walter Eichinger
Managing Director,
Ryobi / Homelite Central & East Europe

Paulo Rosaro
General Manager,
Iberia

Rolf Halele
General Manager,
Germany & Alpine

A & M Electric Tools GmbH

Oliver Lerch
Vice President,
Product Management

Jason Chiswell
Vice President,
Marketing & Key Accounts

Dr Dirk Biskup
Vice President,
Finance & Accounting

Alex Krug
Vice President,
Manufacturing

DreBo Werkzeugfabrik GmbH

Markus Dreps
Managing Director

Royal Appliance International GmbH

Ralf Lindner
Managing Director & Chief Executive Officer

Vax Europe

Simon Lawson
Managing Director

Australasia

TTI Australia & New Zealand

Mike Brendle
Managing Director

Grant Edhouse
Chief Financial Officer

Asia

TTI

David Butts
Group Executive Vice President &
President, Asia Pacific

Clarence Chan
Group Controller

Scott Hetherington
Vice President,
Corporate Tax

Tony Chung
Vice President,
Finance, Asia Pacific

Alex Chunn
Vice President,
Concept Development

Jeffrey Zeiler
Vice President,
Engineering, Professional Power Tools

Brian Ellis
Vice President,
Engineering, Consumer Power Tools

William Ju
Vice President,
Consumer Power Tool Operations

Solar Wide Industrial Ltd.

Hughes Sanoner
President & Chief Executive Officer

South Asian Pacific Co. Ltd.

Hermann Holst
Managing Director

Board of Directors

Group Executive Directors

Horst Julius Pudwill MSc *Chairman*

Mr Horst Julius Pudwill, aged 64, a founding partner of TTI, has been the joint Chairman and Chief Executive Officer from 1985 until early 2008, following which Mr Pudwill retired as a Chief Executive Officer but remains in office as Chairman of the Group. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations with the Chief Executive Officer reporting directly to him.

Mr Pudwill holds a Master's Degree in Engineering and a General Commercial Degree. He has extensive experience in international business.

Dr Roy Chi Ping Chung JP *Group Vice Chairman*

Dr Roy Chi Ping Chung JP, aged 56, is a co-founder of TTI. Dr Chung, previously the Group Managing Director since 1985, has been appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007 and he is responsible for the corporate and business management of the Group.

Dr Chung holds a Master of Science Degree in Engineering Business Management from the University of Warwick, United Kingdom. He was awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was further awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007. He was also appointed as Justice of Peace by the Hong Kong SAR Government effective on July 1, 2005 and won the Hong Kong Young Industrialists Award in 1997.

Dr Chung is an active member of many Government commissions. He is currently the Vice-Chairman of the Federation of Hong Kong Industries, the Chairman of Electronics/Electrical Appliances Industry Advisory Committee of Hong Kong Trade Development Council, the Vice-Chairman of The Hong Kong Standard & Testing Centre Limited and the Director of The Hong Kong Safefy Institute Limited. He is the Council Member of University of Warwick, United Kingdom. He is also the Chairman of the University Court of the Hong Kong Polytechnic University and Council Member of Vocational Training Council. Dr Chung, is also an Independent Non-executive Director of Kin Yat Holdings Limited.

Joseph Galli Jr BSBA, MBA *Chief Executive Officer*

Mr Joseph Galli Jr, aged 51, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

Mr Galli joined Black & Decker in 1980 where he worked for over 19 years and held various high level management positions, rising to the position of president of its worldwide power tools and accessory division. During his tenure at Black & Decker, he was responsible for the highly successful launch of the "DeWalt®" Brand heavy duty power tools in 1992. After leaving Black & Decker, Mr Galli joined Amazon.com where he was President and Chief Operating Officer from 1999 to 2000. From 2001 to 2005, he was a Director and Chief Executive Officer of Newell Rubbermaid Inc.

Mr Galli graduated from the University of North Carolina in 1980 with a Bachelor of Science in Business Administration. In 1987, he obtained an MBA from Loyola College in Baltimore, Maryland.

Patrick Kin Wah Chan FCCA, FCPA, APVC *Operations Director*

Mr Patrick Kin Wah Chan, aged 49, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an associate of The Professional Validation Council of Hong Kong Industries.

Frank Chi Chung Chan ACA, FCCA, FCPA, CPA (Practising)

Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 55, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England & Wales, an associate of the Taxation Institute of Hong Kong and qualified to practise as a Certified Public Accountant in Hong Kong.

He is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited, and an Independent Director of Tsit Wing International Holdings Limited, companies listed on the stock exchanges of Hong Kong and Singapore respectively.

Stephan Horst Pudwill *President of Strategic Planning*

Mr Stephan Horst Pudwill, aged 32, joined the Group in 2004 and was appointed as Executive Director in 2006. He is mainly responsible for managing, improving and monitoring internal operations, and identifying synergistic business opportunities within the Group.

Prior to joining the Group, Mr Pudwill held managerial positions at Daimler Chrysler AG that included product marketing and strategic planning for the Mercedes-Benz car group.

Mr Pudwill holds a Bachelor of Arts Degree from the University of British Columbia and is Mr Horst Julius Pudwill's son.

Non-executive Director

Vincent Ting Kau Cheung

Mr Cheung, aged 67, was appointed as a Director in 1991. He is a Non-executive Director of Gold Peak Industries (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited.

Mr Cheung is a graduate in law from University College, London and has been a practising solicitor since 1970. He is qualified to practise law in Hong Kong and the UK and he is now a Consultant of Vincent T.K. Cheung, Yap & Co.

Independent Non-executive Director

Christopher Patrick Langley OBE

Mr Christopher Patrick Langley, aged 64, was appointed as an Independent Non-executive Director in 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley holds directorships in a number of publicly-listed companies and maintains close ties with the business community in Hong Kong.

Joel Arthur Schleicher CPA, BSB

Mr Joel Arthur Schleicher, aged 57, was appointed as an Independent Non-executive Director in 1998. He has 28 years of management experience in the manufacturing and technology/telecom services sectors.

Mr Schleicher is the Founder, Chairman and CEO of Presidio, Inc., one of the largest independent implementers of advanced IT infrastructure solutions in the United States. Since 1989, he has worked with private equity firms as a consultant, advisor, board member and held portfolio management roles including as Chairman and CEO for Interpath Communications, Inc.; CEO of Expanets, Inc. and President and COO for Nextel Communications, Inc. He currently, or in the past, has served on the board of directors of various North American domestic and international companies.

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 64, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. He joined a European based private equity/alternative investment firm as a partner in 2005, he now moved to the Advisory Board. Also since 2005 he serves as "Hamburg Ambassador" in the UAE, to support the economic ties between Hamburg, Germany and the UAE and has some other advisory functions in different industries.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 61, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

Mr Sullivan holds a Bachelor of Science Degree from the University of New South Wales.

Management's Discussion and Analysis

FINANCIAL RESULTS

Result Analysis

The Group's turnover for the year amounted to HK$26.6 billion, an increase of 7.4% as compared to the HK$24.8 billion reported in 2007. Profit attributable to equity holders of the parent, amounted to HK$175 million, as compared to HK$125 million reported in 2007. Basic earnings per share for the year was at HK11.64 cents, improved as compared to HK8.41 cents in 2007.

EBITDA, after other income, before restructuring and relocation costs, before goodwill impairment, amounted to HK$2.1 billion, an increase of 5.7% as compared to HK$2.0 billion reported in 2007.

The Group's own brand business accounted for 85.2% of total turnover (2007: 85.9%). North America accounted for 73.8% (2007: 73.1%) of the Group's revenue.

Gross Margin

Gross profit margin softened slightly at 30.8% as compared to 31.5% in 2007. New products launched during the period, cost containment programs, and Group synergies partially offset the raw material cost increases, higher manufacturing costs, and the Renminbi appreciation in the first three quarters of 2008.

Operating Expenses

Total operating expenses remained flat on higher revenue, representing 25.9% of turnover (2007: 27.9%). The Group managed to control the non-strategic SG&A expenses and reinvested into the strategic SG&A as planned.

Investments in product design and development amounted to HK$443 million, representing 1.7% of turnover (2007: 2.2%), reflecting efficiency improvements from the consolidated and effectively structured R&D resources.

Net interest expenses for the year amounted to HK$430 million as compared to HK$362 million reported in 2007, an increase of 18.7%. The increase was due to higher cost of funds during the year and additional working capital required for the restructuring and factory expansion. Interest coverage, expressed as a multiple of EBITDA before restructuring and relocation costs, before goodwill impairment was at 4.4 times (2007: 4.5 times).

During the year, there were tax credits of HK$100 million which translated to an effective tax rate of -26.5%. This was mainly due to certain to efficiencies on the restructuring and relocation costs that materialized in 2008. The Group will leverage its global operations to further improve overall tax efficiencies.

The Group made an impairment on goodwill of HK$78 million for the Floor Care and Appliances business.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to HK$6.8 billion as compared to HK$6.9 billion in 2007. Book value per share was HK$4.56 as compared to HK$4.61 as reported last year.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing to equity attributable to equity holders, was at 94.6% as compared to 104.3% as reported last year. The Group remains confident that gearing will improve after the successful implementation of the Strategic Repositioning Plan and initiatives to deliver focused and stringent working capital management.

Bank Borrowings

The Group's major borrowings continued to be in US Dollars and HK Dollars. Other than the fixed rate notes and the Zero Coupon Convertible Bonds, all borrowings are either LIBOR or Hong Kong best lending rates based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory decreased from HK$6.0 billion in 2007 to HK$4.5 billion in 2008 during the year as a result of the Strategic Repositioning Plan. The number of days inventory improved from 88 days to 62 days.

Trade receivable turnover days improved to 45 days as compared to 62 days as reported last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days declined from 66 days reported in 2007 to 52 days in 2008.

Capital Expenditures

Total capital expenditures for the year amounted to HK$719 million with HK$275 million related to the new China Industrial Manufacturing and Innovation Campus.

Capital Commitments and Contingent Liabilities

As at December 31, 2008, total capital commitments amounted to HK$259 million (2007: HK$391 million) and there were no material contingent liabilities or off balance sheet obligations.

Charges

None of the Group's assets are charged or subject to encumbrance.

Major Customers and Suppliers

For the year ended December 31, 2008

(i) the Group's largest customer and five largest customers accounted for approximately 36.0% and 49.5% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 2.9% and 11.1% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

According to the knowledge of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

HUMAN RESOURCES

The Group employed a total of 19,354 employees (2007: 23,685 employees) in Hong Kong and overseas. Total staff costs for the period under review amounted to HK$3.0 billion as compared to HK$3.2 billion same period last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving the quality, competence, and skills of all employees. It provides job-related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

REVIEW OF OPERATIONS

Power Equipment

Our Power Equipment business delivered solid growth in 2008. The full year sales were HK$18.5 billion representing 69.6% of Group turnover and an increase of 9.8%. Sales growth was in part due to double-digit gains in Outdoor Products after successful new product introductions and continued strength in lithium-ion cordless tools where sales doubled. We are aggressively driving product development in all businesses and launched over 240 new products during the year. Professional and Industrial tools improved against the prior year and benefited from the launch of the Milwaukee® lithium ion M18™ and M12™ cordless product ranges. We entered the portable generator business where we anticipate strong sales and profit growth potential.

Floor Care and Appliances

The Floor Care and Appliances business achieved positive sales growth and a turnaround in operating profit. Sales grew 2.3% to HK$8.0 billion representing 30.4% of Group turnover. In its first full year since acquisition and full integration into the Group, Hoover® contributed low single-digit sales expansion in a declining North American market. The business outside of North America generated low double-digit sales growth. New product introductions were a driver in all our markets with over 110 products launched in 2008. We entered the shredders category and achieved strong support from both retailer and end-users. Profit before restructuring and relocation costs and goodwill impairment increased by 76.0%.

Management's Discussion and Analysis

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale, or redemption of shares of the Company by the Company or any of its subsidiaries during the year.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Company and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2008. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

DIVIDEND

The Directors have recommended a final dividend of HK3.00 cents per share for the year ended December 31, 2008 (2007: HK1.50 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 27, 2009. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 31, 2009. This payment, together with the interim dividend of HK3.00 cents per share (2007: HK6.50 cents) paid on September 29, 2008, makes a total payment of HK6.00 cents per share for 2008 (2007: HK8.00 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 25, 2009 to May 27, 2009, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on May 22, 2009.

Corporate Governance Report

The Company is committed to a high standard of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The corporate governance principles of the Company emphasize a quality Board for leadership and control of the Company, effective internal controls, transparency and accountability to all shareholders.

Compliance with Code of Governance Practices

The Company confirms that it has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the year ended December 31, 2008, save that:

1. The roles of Chairman and Chief Executive Officer of the Company were performed solely by Mr Horst Julius Pudwill until February 1, 2008. Subsequent to the appointment of Mr Joseph Galli Jr as Chief Executive Officer and Executive Director of the Company with effect from February 1, 2008, the two roles were separated and Mr Horst Julius Pudwill remains in his role as Chairman and Executive Director and responsible for strategic planning and development of the Group.
2. None of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.

Board of Directors

Roles and Responsibilities

The board of directors (the "Board") assumes responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the group affairs. Principle responsibilities of the Board including, but are not limited to, the following:

- decide or consider matters covering major acquisitions and disposals, appointment of Directors and external auditors, and other significant operational matters.
- monitor and control the Group's operation and financial performance through the determination of the annual budget and continuous review of performance results.

Written procedures have been formally adopted in order to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. The procedures are reviewed by the Board periodically.

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors, collectively and individually, are aware of their responsibilities and accountability to shareholders, for the manner in which the affairs of the Company are managed and operated.

Board Composition

As at the date of this report, the Board consists of six Group Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The composition of the Board of the Company is as follows:-

Group Executive Director

Mr Horst Julius Pudwill *(Chairman)*
Dr Roy Chi Ping Chung JP *(Vice Chairman)*
Mr Joseph Galli Jr *(Chief Executive Officer)* – Appointed on February 1, 2008
Mr Kin Wah Chan *(Operations Director)*
Mr Chi Chung Chan *(Group Chief Financial Officer)*
Mr Stephan Horst Pudwill *(President of Strategic Planning)*

Non-executive Director

Mr Vincent Ting Kau Cheung

Independent Non-executive Director

Mr Christopher Patrick Langley OBE
Mr Joel Arthur Schleicher
Mr Manfred Kuhlmann
Mr Peter David Sullivan – Appointed on February 1, 2008

Effective from February 1, 2008, the roles of Chairman and Chief Executive Officer of the Company have been segregated, with a clear division of responsibilities.

The role of Chairman comprises, but is not limited to, the following:

a) To ensure that all Directors are properly briefed on issues arising at Board meetings.

b) To ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.

c) To ensure that good corporate governance practices and procedures are established.

d) To encourage all Directors to make a full and active contribution to the Board's affairs and to take the lead to ensure that the Board acts in the best interests of the Company.

e) To ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

The role of Chief Executive Officer comprises, but is not limited to, the following:

a) To lead the management team in the Group's daily operation.

b) To assist the Group on integrating acquisitions in North America and Europe, and to enhance the global sales potential of our strong brand portfolio.

All Directors are subject to retirement by rotation at least once every three years pursuant to the Company's Articles of Association and the Listing Rules. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the first general meeting after their appointment. The biographical details and relevant relationships are set out on pages 26 to 27 of this annual report.

Orientation which details the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong is provided for every newly appointed Director. Presentations are, as necessary, given by senior executives of the Company and external professionals. Training and updates are offered to Directors as necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. All above-mentioned arrangements aim to assist the relevant Director to discharge his duties to the Company.

Every Director is aware that, before accepting appointment as a Director, he must be able to give sufficient time and attention to the affairs of the Company.

The Company has directors' and officers' liability insurance coverage in place to protect Directors and officers of the Group against legal proceedings and claims against them arising from any wrongful act committed or alleged to have been committed in executing their powers, duties, and responsibilities in their capacity as Directors or officers of the Group.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors. The Company is of the view that all the Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and still considers them to be independent.

Compliance with the Codes for Securities Transactions

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of the Directors regarding any non-compliance with the Model Code during the year ended December 31, 2008 and all of them confirmed that they have fully complied with the required standards as set out in the Model Code.

The Board has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees").

Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website (www.ttigroup.com).

Board Meetings

The Board is committed to at least four scheduled meetings in a year and will meet more frequently as and when required. All members of the Board are given complete and reliable information in relation to the affairs of the group, and receive the support from and access to the Company Secretary of the Company in respect of all meetings of the Board. Each Director is afforded access, on his request, to senior management of the Group and to independent professional advice on performing their duties at the Company's expense. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

The Board held five meetings during 2008. The summary at the end of this report sets out the attendance record of each Director. The meeting agenda is set by the Chairman in consultation with members of the Board.

Minutes of the Board/committee meetings with sufficient details of matters and concerns discussed are kept in safe custody by the Company Secretary of the Company, are sent to the Directors for record and are open for inspection by the Directors.

Board Committees

The Board has delegated various responsibilities to an Audit Committee, a Nomination Committee and a Remuneration Committee. Each of these committees has specific written terms of reference which deal clearly with their authority and duties, which have been published on the Company's website (www. ttigroup.com). Other than the Nomination Committee, the majority of the members of each committee are Independent Non-executive Directors. This ensures the independence of views and opinions expressed by the Directors at the respective committee meetings. The committees report back to the Board on their activities and decisions on a regular basis.

Audit Committee

The main objectives of the Audit Committee is to ensure the effectiveness of the internal control system and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations and to oversee the integrity of the financial statements of the Company.

The Audit Committee is also directly responsible on behalf of the Board for (i) the selection, oversight, and remuneration of the Company's external auditor, (ii) the assessment of the independence and qualifications of the external auditor, (iii) the oversight of the performance of the Company's external auditor and (iv) the maintenance of an appropriate relationship with the external auditor.

The Audit Committee is comprised of three Independent Non-executive Directors (being Mr Joel Arthur Schleicher, Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann) and is chaired by Mr Joel Arthur Schleicher. Each member of the Audit Committee has professional, financial, or accounting qualifications as required under the Listing Rules.

The Audit Committee held five meetings during 2008, with 100% attendance rate, to review with the Group Chief Financial Officer, other senior management and the external auditors, the Group's significant financial matters, internal controls, the Company's accounting principles and practices, risk management, financial reporting matters (including the interim and annual results for the Board's approval) and findings of internal and external auditors.

The Audit Committee has scheduled five regular meetings for 2009.

Nomination Committee

The main role and function of the Nomination Committee is to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitable candidates and make recommendations for consideration of the Board and shareholders. Criteria of selecting and nominating of directors including among other things, appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and the ability to commit the appropriate time to the Board, are set out in a written policy for the Nomination Committee to adopt when considering nominating a potential candidate to the Board. The Nomination Committee also assesses the independence of the Independent Non-executive Directors.

The Nomination Committee is comprised of four members, and is chaired by Mr Horst Julius Pudwill (Chairman), the other members being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann.

The Nomination Committee held two meetings during 2008 with 100% attendance rate. The work performed by the Nomination Committee during 2008 included:

- recommendation to the Board on the appointment of Mr Joseph Galli Jr as an Executive Director of the Company with effect from February 1, 2008
- recommendation to the Board on the appointment of Mr Peter David Sullivan as an Independent Non-executive Director of the Company with effect from February 1, 2008
- recommendation to the Board about the re-election of retiring Directors at the 2008 Annual General Meeting
- review of the structure, size and composition of the Board of Directors of the Company
- recommendation to the Board on the appointment of Mr Peter David Sullivan as a member of the Remuneration Committee

The Nomination Committee has scheduled two regular meetings for 2009.

Remuneration Committee

The objectives of the Remuneration Committee is to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics.

The Remuneration Committee is comprised of five members, and is chaired by Mr Vincent Ting Kau Cheung (Non-executive Director), the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Joel Arthur Schleicher and Mr Peter David Sullivan (appointed a member on April 16, 2008).

The Remuneration Committee held two meetings during 2008 with 100% attendance rate. The Remuneration Committee, among other things, reviewed the remuneration packages of Mr Joseph Galli Jr as an Executive Director and Chief Executive Officer of the Company and Mr Peter David Sullivan as an Independent Non-executive Director of the Company and to make recommendation to the Board for approval.

The Remuneration Committee has scheduled two regular meetings for 2009.

Accountability and Audit

The Board acknowledges its responsibility for overseeing the preparation of the accounts of the Group which give a true and fair view of the Group's state of affairs, results and cash flows for the year.

The Board will present a balanced, clear and understandable assessment of annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Internal Controls

The Board also acknowledges its responsibility for the effectiveness of the Group's internal controls. In respect of the year ended December 31, 2008, the Board has reviewed the internal control systems of the Group. The Board is responsible for approving and reviewing key internal control policies including delegated authorities, policy on market disclosure and investor relations, non-audit services and treasury management policy. An internal control system is designed to provide reasonable, but not absolute assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operational systems.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's system of internal control that have been put in place. The "Internal Control - Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") is used as a framework for the continuous review. The reviews performed in 2008 included:

- The organization structure and delegated authorities
- The performance and adequacy of accounting and information systems
- The risk management process including formal risk assessment at the enterprise level
- The risk management functions and their performance indicators including discussions with senior management responsible for day-to-day management of significant risks
- The effectiveness of the Company's procedures relating to statutory and regulatory compliance
- The scope and quality of management's ongoing monitoring of risks and system of internal control

External Auditors

The external auditors of the Group are Deloitte Touche Tohmatsu, and in 2008, Deloitte Touche Tohmatsu provided the following audit and non-audit services to the Group:

Nature of Services	Amount (HK$ million)
External Audit Services	22.8
Taxation Consultancy Services	0.3
Other Consultancy Services	0.3

Deloitte Touche Tohmatsu is also the tax advisers of the Hong Kong companies of the Group. The other consultancy services provided by Deloitte Touche Tohmatsu comprised professional services conducted under the terms of specified engagements.

To ensure the independence of the external auditors, the nature and ratio of annual fees to external auditors for audit services and non-audit services are subject to scrutiny by the Audit Committee. All non-audit services from external auditors are regulated by a Policy on Non-Audit Services published on the Company's website (www.ttigroup.com).

In addition, the Independent Non-executive Directors and the external auditors of the Group meet without the presence of the management of the Group every year to enhance independent reporting by external auditors of the Group.

Investor Relations and Shareholder Communications

The Company understands the importance of maintaining effective communication with its shareholders and investors and is committed to provide timely, efficient, and accurate information to them. A Policy on Market Disclosure, Investor and Media Relations, published on the Company's website (www.ttigroup.com), ensure that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

All of the Company's circulars, announcements, notices, and results of general meetings, annual and interim reports, and webcasts of results presentations at press conference can be easily accessed from the Company's website (www.ttigroup.com).

In addition, the Company continues to maintain an effective communication pathway by holding regular meetings with institutional shareholders and analysts. Shareholders are encouraged to attend the Annual General Meeting to communicate with Directors and managements of the Company directly.

A summary of attendance of Board and Committee meetings in 2008 are detailed in the following table:

	Meetings attended / Held in 2008			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held during the year	5	5	2	2
Group Executive Directors				
Mr Horst Julius Pudwill	5/5		2/2	
Dr Roy Chi Ping Chung JP	5/5			
Mr Joseph Galli Jr	4/4 (Note 1)			
Mr Patrick Kin Wah Chan	5/5			
Mr Frank Chi Chung Chan	5/5			
Mr Stephan Horst Pudwill	5/5			
Non-executive Director				
Mr Vincent Kau Ting Cheung	5/5		2/2	2/2
Independent Non-executive Directors				
Mr Joel Arthur Schleicher	5/5	5/5		2/2
Mr Christopher Patrick Langley OBE	5/5	5/5	2/2	2/2
Mr Manfred Kuhlmann	5/5	5/5	2/2	2/2
Mr Peter David Sullivan	4/4 (Note 1)			(Note 2)
Dates of meetings	January 21, 2008	January 21, 2008	January 21, 2008	January 21, 2008
	February 28, 2008	March 18, 2008	April 15, 2008	April 15, 2008
	April 16, 2008	April 14, 2008		
	May 29, 2008	May 29, 2008		
	August 21, 2008	August 20, 2008		

Notes:

1 Mr Joseph Gailli Jr and Mr Peter David Sullivan were appointed as Directors of the Company on February 1, 2008.

2 Mr Peter David Sullivan was appointed as a member of the Remuneration Committee on April 16, 2008.

Director's Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2008.

Principal Activities

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in Notes 54 and 55 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended December 31, 2008 are set out in the consolidated income statement on page 46.

An interim dividend of HK3.00 cents per share amounting to approximately HK$45,037,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK3.00 cents per share to the shareholders on the register of members on May 27, 2009, amounting to approximately HK$45,037,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately HK$148,299,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately HK$105,535,000 and plant and machinery for approximately HK$74,179,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 44 to the financial statements.

During the year, 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:

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Dr Roy Chi Ping Chung JP, *Vice Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
(appointed on February 1, 2008)
Mr Kin Wah Chan
Mr Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director:

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors:

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
(appointed on February 1, 2008)

In accordance with Article 103 of the Company's Articles of Association, Messrs. Frank Chi Chung Chan, Stephan Horst Pudwill, Christopher Patrick Langley OBE and Manfred Kuhlmann will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

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.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests

As at December 31, 2008, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive has taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) (1)	Interests in underlying shares pursuant to equity derivatives (1)	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	169,661,000	400,000	393,980,794	26.24%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	223,159,794(2)	—		
Dr Roy Chi Ping Chung JP	Beneficial owner	71,405,948	400,000	109,016,978	7.26%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030(3)	—		
Mr Joseph Galli Jr	Beneficial owner	814,500	2,500,000	3,314,500	0.22%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.07%
Mr Chi Chung Chan	Beneficial owner	—	1,500,000	1,500,000	0.10%
Mr Stephan Horst Pudwill	Beneficial owner	4,379,500	100,000	4,479,500	0.30%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	—	1,920,000	0.13%
Mr Joel Arthur Schleicher	Beneficial owner	100,000	100,000	260,000	0.02%
	Interests of spouse	—	60,000(1)		
Mr Christopher Patrick Langley OBE	Beneficial owner	500,000	100,000	600,000	0.04%
Mr Manfred Kuhlmann	Beneficial owner	—	100,000	100,000	0.01%

Notes:

(1) Interests in shares and underlying shares stated above represent long positions of the Company.

Directors' and Chief Executive's Interests

(continued)

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives, which were held as beneficial owner, represent share options granted to them respectively pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below. These share options are physically settled and unlisted.

The interests of the spouse of Mr Joel Arthur Schleicher in the underlying shares pursuant to listed equity derivatives represent an interest in 60,000 underlying shares held in the form of 12,000 American Depositary Receipts, each representing 5 shares of the Company.

(2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	186,084,764
Cordless Industries Company Limited *	37,075,030
	223,159,794

(3) These shares were held by Cordless Industries Company Limited * in which Dr Roy Chi Ping Chung JP has a beneficial interest.

* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Dr Roy Chi Ping Chung JP.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV or the SFO) as at December 31, 2008.

Share Options

Scheme Adopted on March 28, 2002 ("Scheme C")

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or
(ii) Non-executive Directors (including Independent Non-executive Directors); or
(iii) suppliers or customers; or
(iv) any person or entity that provides research, development or other technological support; or
(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Scheme Adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or
(ii) Non-executive Directors (including Independent Non-executive Directors or Officer); or
(iii) secondees; or
(iv) business partner, agent, consultant; or
(v) suppliers or customers; or
(vi) any person or entity that provides research, development or other technological support; or
(vii) shareholders.

Share Options *(continued)*

Scheme Adopted on May 29, 2007 ("Scheme D")

(continued)

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

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

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 - 24.2.2009
Dr Roy Chi Ping Chung JP	19.9.2003	Scheme C	560,000	—	—	(560,000)	—	8.685	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 - 24.2.2009
Mr Joseph Galli Jr	1.11.2006	Scheme C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006 - 31.10.2011
	6.3.2007	Scheme C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007 - 5.3.2012
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.525	1.3.2004 - 28.2.2009
Mr Chi Chung Chan	17.7.2003	Scheme C	1,000,000	—	—	(1,000,000)	—	7.625	17.7.2003 - 16.7.2008
	19.9.2003	Scheme C	500,000	—	—	(500,000)	—	8.685	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.170	25.2.2004 - 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	—	500,000	12.525	1.3.2004 - 28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000	—	—	—	100,000	12.525	1.3.2004 - 28.2.2009
Mr Joel Arthur Schleicher	17.7.2003	Scheme C	200,000	—	—	(200,000)	—	7.625	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 - 24.2.2009
Mr Christopher Patrick	17.7.2003	Scheme C	100,000	—	—	(100,000)	—	7.625	17.7.2003 - 16.7.2008
Langley OBE	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 - 24.2.2009
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 - 6.2.2010
Total for directors			**8,560,000**	**—**	**—**	**(2,360,000)**	**6,200,000**		

Share Options *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	17.7.2003	Scheme C	2,606,000	—	—	(2,606,000)	—	7.625	17.7.2003 - 16.7.2008
	19.9.2003	Scheme C	204,000	—	—	(204,000)	—	8.685	19.9.2003 - 18.9.2008
	1.3.2004	Scheme C	5,084,000	—	—	(904,000)	4,180,000	12.525	1.3.2004 - 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	—	200,000	12.950	14.4.2004 - 13.4.2009
	5.5.2004	Scheme C	100,000	—	—	(100,000)	—	11.050	5.5.2004 - 4.5.2009
	7.6.2004	Scheme C	200,000	—	—	—	200,000	12.000	7.6.2004 - 6.6.2009
	2.10.2004	Scheme C	1,000,000	—	—	—	1,000,000	15.350	2.10.2004 - 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	—	250,000	15.710	13.12.2004 - 12.12.2009
	7.2.2005	Scheme C	100,000	—	—	(100,000)	—	17.750	7.2.2005 - 6.2.2010
	7.4.2005	Scheme C	200,000	—	—	—	200,000	17.210	7.4.2005 - 6.4.2010
	27.4.2005	Scheme C	25,000	—	—	(25,000)	—	17.660	27.4.2005 - 26.4.2010
	1.6.2005	Scheme C	20,000	—	—	(20,000)	—	17.420	1.6.2005 - 31.5.2010
	17.6.2005	Scheme C	250,000	—	—	—	250,000	17.950	17.6.2005 - 16.6.2010
	27.6.2005	Scheme C	500,000	—	—	(500,000)	—	19.200	27.6.2005 - 26.6.2010
	1.1.2006	Scheme C	300,000	—	—	—	300,000	18.690	1.1.2006 - 31.12.2010
	1.3.2006	Scheme C	3,277,000	—	—	(887,000)	2,390,000	13.970	1.3.2006 - 28.2.2011
	25.4.2006	Scheme C	20,000	—	—	(20,000)	—	13.700	25.4.2006 - 24.4.2011
	15.6.2006	Scheme C	200,000	—	—	—	200,000	10.270	15.6.2006 - 14.6.2011
	17.6.2006	Scheme C	350,000	—	—	—	350,000	10.550	17.6.2006 - 16.6.2011
	3.7.2006	Scheme C	25,000	—	—	(25,000)	—	10.700	3.7.2006 - 2.7.2011
	4.10.2006	Scheme C	75,000	—	—	—	75,000	11.628	4.10.2006 - 3.10.2011
	3.11.2006	Scheme C	100,000	—	—	(100,000)	—	11.480	3.11.2006 - 2.11.2011
	8.11.2006	Scheme C	30,000	—	—	—	30,000	12.200	8.11.2006 - 7.11.2011
	4.12.2006	Scheme C	150,000	—	—	—	150,000	10.952	4.12.2006 - 3.12.2011
	13.12.2006	Scheme C	20,000	—	—	—	20,000	10.560	13.12.2006 - 12.12.2011
	1.1.2007	Scheme C	150,000	—	—	—	150,000	10.080	1.1.2007 - 31.12.2011
	6.3.2007	Scheme C	6,330,000	—	—	(860,000)	5,470,000	10.572	6.3.2007 - 5.3.2012
	20.7.2007	Scheme D	300,000	—	—	—	300,000	10.060	20.7.2007 - 19.7.2012
	24.8.2007	Scheme D	2,710,000	—	—	(200,000)	2,510,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	Scheme D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	Scheme D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	23.11.2007	Scheme D	500,000	—	—	—	500,000	7.578	23.11.2007 - 22.11.2017

Share Options *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
	14.1.2008	Scheme D	—	2,035,000	—	(165,000)	1,870,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	Scheme D	—	2,225,000	—	(75,000)	2,150,000	7.780	17.4.2008 - 16.4.2018
	24.4.2008	Scheme D	—	100,000	—	(100,000)	—	7.818	24.4.2008 - 23.4.2018
	14.5.2008	Scheme D	—	240,000	—	—	240,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	Scheme D	—	640,000	—	—	640,000	7.546	30.5.2008 - 29.5.2018
	1.9.2008	Scheme D	—	150,000	—	—	150,000	7.450	1.9.2008 - 31.8.2018
	2.9.2008	Scheme D	—	300,000	—	—	300,000	7.388	2.9.2008 - 1.9.2018
	11.9.2008	Scheme D	—	50,000	—	—	50,000	7.430	11.9.2008 - 10.9.2018
	2.10.2008	Scheme D	—	225,000	—	(150,000)	75,000	7.068	2.10.2008 - 1.10.2018
	1.12.2008	Scheme D	—	100,000	—	—	100,000	2.340	1.12.2008 - 30.11.2018
Total for employees			**25,391,000**	**6,065,000**	**—**	**(7,041,000)**	**24,415,000**		
Total for all categories			**33,951,000**	**6,065,000**	**—**	**(9,401,000)**	**30,615,000**		

The weighted average closing prices of shares on the options grant date during 2008 and 2007 were HK$7.48 and HK$9.71 respectively.

The closing price of the Company's shares immediately before various dates of grant ranged from HK$2.37 to HK$7.75.

The weighted average closing prices of the Company's shares immediately before various dates during 2007 on which the share options were exercised was HK$10.98.

The fair values of the share options granted in 2008 and 2007 measured at various dates of grant ranged from HK$0.52 to HK$1.79 and HK$1.56 to HK$2.61 per option respectively.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Director's Interests in Contracts of Significance

No contract 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.

Substantial Shareholder's Interests

As at December 31, 2008, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares (L/S)*	Approximate aggregate percentage of interests
Capital Research and Management Company (1)	117,596,600 (L)	7.83% (L)
Prudential plc (2)	110,256,242 (L)	7.35% (L)
	11,428,348 (S)	0.76% (S)
Daniel Saul Och (3)	244,376,400 (L)	16.28% (L)

* (L/S) represents (Long position/Short position)

Notes:

(1) The capacity of Capital Research and Management Company in holding the 117,596,600 shares was as investment manager. Its 100% controlling shareholder is The Capital Group Companies, Inc.

(2) The following is a breakdown of the interests in shares of Prudential plc:

		Total interests in shares				
Name	Remarks	Direct interests	(L/S)	Deemed interests	(L/S)	Approximate percentage of interests
Prudential plc	(2a)	—	—	110,256,242	(L)	7.35%
				11,428,348	(S)	0.76%
Prudential Holdings Ltd	(2b)	—	—	110,256,242	(L)	7.35%
				11,428,348	(S)	0.76%
Prudential Corporation Holdings Ltd	(2b)	—	—	110,256,242	(L)	7.35%
				11,428,348	(S)	0.76%
Prudential Asset Management (Hong Kong) Ltd	(2b)	110,256,242	(L)	—	—	7.35%
		11,428,348	(S)			0.76%

Remarks:

(2a) The capacity of Prudential plc in holding 110,256,242 shares of long position and 11,428,348 shares of short position respectively was a controlled corporation. Prudential plc is listed on the London Stock Exchange.

(2b) Prudential Holdings Ltd, Prudential Corporation Holdings Ltd and Prudential Asset Management (Hong Kong) Ltd were all direct or indirect subsidiaries of Prudential plc and by virtue of the SFO. Prudential plc was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholder's Interests *(continued)*

Notes: (continued)

(3) The following is a breakdown of the interests in shares of Daniel Saul Och:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
Daniel Saul Och	(3a)	—	—	244,376,400	(L)	16.28%
Och-Ziff Capital Management Group LLC	(3a)	—	—	244,376,400	(L)	16.28%
Och-Ziff Holding Corporation	(3a)	—	—	244,376,400	(L)	16.28%
OZ Management L.P.	(3a)	244,376,400	(L)	—	—	16.28%
OZ Asia Master Fund, Ltd.	(3a)	107,084,900	(L)	—	—	7.13%
Gordel Holdings Ltd.	(3a)	2,546,500	(L)	—	—	0.17%
Goldman Sachs & Co. Profit Sharing Master Trust	(3a)	2,250,400	(L)	—	—	0.15%
OZ Master Fund, Ltd.	(3a)	122,436,000	(L)	—	—	8.16%
OZ Global Special Investments Master Fund, L.P.	(3a)	8,775,100	(L)	—	—	0.58%
OZ Select Master Fund, Ltd.	(3a)	1,283,500	(L)	—	—	0.09%

Remarks:

(3a) Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation, OZ Management, L.P. were directly or indirectly controlled by Daniel Saul Och. OZ Asia Master Fund, Ltd., Gordel Holdings Ltd., Goldman Sachs & Co. Profit Sharing Master Trust, OZ Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P., OZ Select Master Fund, Ltd. were all managed by OZ Management, L.P. By virtue of the SFO, Daniel Saul Och was deemed to be interested in the shares held by the aforesaid entities.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2008.

Sufficiency of Public Float

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

Donations

During the year, the Group made charitable and other donations totalling HK$5,801,000.

Auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Horst Julius Pudwill
Chairman
Hong Kong
April 22, 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED
創科實業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 126, which comprise the consolidated and Company balance sheets as at December 31, 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 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 section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2008 and of the Group's profit 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
April 22, 2009

Consolidated Income Statement

For the year ended December 31, 2008

	Notes	**2008 HK$'000**	2007 HK$'000	**2008 US$'000 (Note 56)**	2007 US$'000 (Note 56)
Turnover	6	**26,615,319**	24,774,987	**3,412,220**	3,176,280
Cost of sales		**(18,408,582)**	(16,965,980)	**(2,360,075)**	(2,175,125)
Gross profit		**8,206,737**	7,809,007	**1,052,145**	1,001,155
Other income	7	**72,311**	377,464	**9,271**	48,393
Interest income	8	**47,129**	97,658	**6,042**	12,520
Selling, distribution, advertising and warranty expenses		**(3,447,929)**	(3,478,699)	**(442,042)**	(445,987)
Administrative expenses		**(3,007,629)**	(2,898,057)	**(385,593)**	(371,546)
Research and development costs		**(442,838)**	(535,134)	**(56,774)**	(68,607)
Finance costs	9	**(477,069)**	(459,779)	**(61,163)**	(58,946)
Profit before restructuring and relocation costs, share of results of associates, goodwill impairment and taxation		**950,712**	912,460	**121,886**	116,982
Restructuring and relocation costs	10	**(717,971)**	(743,018)	**(92,048)**	(95,259)
Goodwill impairment	21	**(78,000)**	—	**(10,000)**	—
Share of results of associates		**(3,077)**	(270)	**(394)**	(35)
Profit before taxation		**151,664**	169,172	**19,444**	21,688
Taxation credit (charge)	11	**40,171**	(38,999)	**5,150**	(5,000)
Profit for the year	12	**191,835**	130,173	**24,594**	16,688
Attributable to:					
Equity holders of the parent		**174,807**	125,257	**22,411**	16,058
Minority interests		**17,028**	4,916	**2,183**	630
		191,835	130,173	**24,594**	16,688
Dividends	15	**67,556**	287,501	**8,661**	36,859
Earnings per share (HK/US cents)					
Basic	16	**11.64**	8.41	**1.49**	1.08
Diluted		**11.64**	7.40	**1.49**	0.95

Consolidated Balance Sheet

As at December 31, 2008

	Notes	2008 HK$'000	2007 HK$'000	2008 US$'000 (Note 56)	2007 US$'000 (Note 56)
ASSETS					
Non-current assets					
Property, plant and equipment	17	**2,354,914**	2,612,534	**301,912**	334,940
Lease prepayments	18	**283,573**	78,799	**36,356**	10,102
Goodwill	19	**4,071,585**	4,164,129	**521,998**	533,863
Intangible assets	20	**2,446,548**	2,176,077	**313,660**	278,984
Interests in associates	23	**206,328**	203,637	**26,452**	26,107
Available-for-sale investments	24	**17,058**	17,058	**2,187**	2,187
Deferred tax assets	47	**637,361**	762,907	**81,713**	97,809
		10,017,367	10,015,141	**1,284,278**	1,283,992
Current assets					
Inventories	25	**4,522,366**	5,951,606	**579,791**	763,026
Trade and other receivables	26	**3,515,583**	4,471,844	**450,716**	573,313
Deposits and prepayments		**732,400**	470,147	**93,897**	60,275
Bills receivable	27	**238,092**	469,002	**30,525**	60,128
Tax recoverable		**313,172**	271,134	**40,150**	34,761
Trade receivables from associates	29	**109**	10,053	**14**	1,289
Foreign currency forward contracts	30	**53,576**	—	**6,869**	—
Held-for-trading investments	31	**3,451**	17,192	**442**	2,204
Bank balances, deposits and cash	32	**2,392,931**	3,293,327	**306,786**	422,221
		11,771,680	14,954,305	**1,509,190**	1,917,217
Current liabilities					
Trade and other payables	33	**3,777,793**	4,466,407	**484,333**	572,617
Bills payable	34	**152,759**	299,223	**19,584**	38,362
Warranty provision	35	**426,578**	474,386	**54,689**	60,819
Trade payable to an associate	36	**1,407**	—	**180**	—
Tax payable		**284,256**	286,069	**36,443**	36,676
Restructuring provision	37	**145,426**	418,380	**18,644**	53,638
Obligations under finance leases					
– due within one year	38	**16,815**	17,635	**2,156**	2,261
Discounted bills with recourse	39	**2,462,611**	3,036,449	**315,719**	389,288
Unsecured borrowings - due within one year	42	**3,089,852**	2,566,503	**396,135**	329,038
Convertible bonds	43	**100,805**	—	**12,924**	—
Bank overdrafts	32	**263,732**	418,369	**33,811**	53,637
		10,722,034	11,983,421	**1,374,618**	1,536,336
Net current assets		**1,049,646**	2,970,884	**134,572**	380,881
Total assets less current liabilities		**11,067,013**	12,986,025	**1,418,850**	1,664,873

Consolidated Balance Sheet

As at December 31, 2008

	Notes	2008 HK$'000	2007 HK$'000	2008 US$'000 (Note 56)	2007 US$'000 (Note 56)
Capital and Reserves					
Share capital	44	**150,125**	150,125	**19,247**	19,247
Reserves		**6,689,010**	6,770,000	**857,568**	867,947
Equity attributable to equity holders of the parent		**6,839,135**	6,920,125	**876,815**	887,194
Minority interests		**108,303**	91,303	**13,885**	11,706
Total equity		**6,947,438**	7,011,428	**890,700**	898,900
Non-current Liabilities					
Obligations under finance leases					
– due after one year	38	**60,265**	134,693	**7,726**	17,268
Convertible bonds	43	**—**	98,299	**—**	12,602
Unsecured borrowings - due after one year	42	**2,870,703**	4,240,475	**368,038**	543,650
Retirement benefits obligations	46	**768,236**	980,528	**98,492**	125,709
Deferred tax liabilities	47	**420,371**	520,602	**53,894**	66,744
		4,119,575	5,974,597	**528,150**	765,973
		11,067,013	12,986,025	**1,418,850**	1,664,873

The financial statements on pages 46 to 126 were approved and authorised for issue by the Board of Directors on April 22, 2009 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Dr Roy Chi Ping Chung JP
Vice Chairman

Balance Sheet

As at December 31, 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	17	**212,250**	200,731
Lease prepayments	18	**4,256**	4,385
Intangible assets	20	**622,069**	278,013
Investments in subsidiaries	22	**3,172,635**	1,182,712
Interests in associates	23	**208,966**	196,939
Available-for-sale investments	24	**1,695**	1,695
		4,221,871	1,864,475
Current assets			
Inventories	25	**390,657**	590,752
Trade and other receivables	26	**43,988**	29,838
Deposits and prepayments		**237,176**	288,819
Bills receivable	27	**3,152**	214,926
Tax recoverable		**1,322**	—
Amounts due from subsidiaries	28	**5,776,468**	7,917,745
Bank balances, deposits and cash	32	**861,884**	580,400
		7,314,647	9,622,480
Current liabilities			
Trade and other payables	33	**631,612**	800,224
Bills payable	34	**126,234**	283,013
Warranty provision	35	**90,706**	26,642
Amounts due to subsidiaries	28	**634,792**	70,646
Trade payable to an associate	36	**1,407**	—
Tax payable		**—**	27,029
Obligations under finance leases - due within one year	38	**865**	827
Discounted bills with recourse	39	**2,290,707**	2,327,957
Unsecured borrowings - due within one year	42	**1,325,276**	1,910,951
Convertible bonds	43	**100,805**	—
		5,202,404	5,447,289
Net current assets		**2,112,243**	4,175,191
Total assets less current liabilities		**6,334,114**	6,039,666

Balance Sheet

As at December 31, 2008

	Notes	2008 HK$'000	2007 HK$'000
Capital and Reserves			
Share capital	44	**150,125**	150,125
Reserves	45	**5,974,627**	5,778,623
		6,124,752	5,928,748
Non-current Liabilities			
Obligations under finance leases - due after one year	38	**1,636**	2,501
Convertible bonds	43	**—**	98,299
Unsecured borrowings - due after one year	42	**194,500**	—
Deferred tax liabilities	47	**13,226**	10,118
		209,362	110,918
		6,334,114	6,039,666

Chi Chung Chan
Group Executive Director

Dr Roy Chi Ping Chung JP
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2008

	Equity attributable to equity holders of the parent									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At January 1, 2007	146,522	2,754,849	—	26,334	56,486	13,794	3,998,545	6,996,530	81,445	7,077,975
Exchange differences on translation	—	—	—	—	1,842	—	—	1,842	62	1,904
Net income recognised directly in equity	—	—	—	—	1,842	—	—	1,842	62	1,904
Profit for the year	—	—	—	—	—	—	125,257	125,257	4,916	130,173
Total recognised income and expense for the year	—	—	—	—	1,842	—	125,257	127,099	4,978	132,077
Shares issued at a premium	4,039	143,797	—	—	—	—	—	147,836	—	147,836
Repurchase of shares	(436)	—	436	—	—	—	(35,175)	(35,175)	—	(35,175)
Effect of early redemption of convertible bonds	—	—	—	(49,920)	—	—	—	(49,920)	—	(49,920)
Release of deferred tax liabilities on early redemption of convertible bonds	—	—	—	5,101	—	—	—	5,101	—	5,101
Transfer to retained profits upon early redemption of convertible bonds	—	—	—	20,770	—	—	(20,770)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	16,155	—	16,155	—	16,155
Share options lapsed	—	—	—	—	—	(2,152)	2,152	—	—	—
Final dividend – 2006	—	—	—	—	—	—	(189,636)	(189,636)	—	(189,636)
Interim dividend – 2007	—	—	—	—	—	—	(97,865)	(97,865)	—	(97,865)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	4,880	4,880
At December 31, 2007	150,125	2,898,646	436	2,285	58,328	27,797	3,782,508	6,920,125	91,303	7,011,428
Exchange differences on translation	—	—	—	—	(209,701)	—	—	(209,701)	(28)	(209,729)
Net expenses recognised directly in equity	—	—	—	—	(209,701)	—	—	(209,701)	(28)	(209,729)
Profit for the year	—	—	—	—	—	—	174,807	174,807	17,028	191,835
Total recognised income and expense for the year	—	—	—	—	(209,701)	—	174,807	(34,894)	17,000	(17,894)
Recognition of equity-settled share-based payments	—	—	—	—	—	21,460	—	21,460	—	21,460
Share options lapsed	—	—	—	—	—	(6,868)	6,868	—	—	—
Final dividend - 2007	—	—	—	—	—	—	(22,519)	(22,519)	—	(22,519)
Interim dividend - 2008	—	—	—	—	—	—	(45,037)	(45,037)	—	(45,037)
At December 31, 2008	**150,125**	**2,898,646**	**436**	**2,285**	**(151,373)**	**42,389**	**3,896,627**	**6,839,135**	**108,303**	**6,947,438**

Consolidated Cash Flow Statement

For the year ended December 31, 2008

	2008 HK$'000	2007 HK$'000	2008 US$'000 (Note 56)	2007 US$'000 (Note 56)
Operating Activities				
Profit before taxation	**151,664**	169,172	**19,444**	21,688
Adjustments for:				
Amortisation/write-off of intangible assets	**194,714**	130,940	**24,963**	16,787
Amortisation of lease prepayments	**1,720**	1,544	**221**	198
Depreciation on property, plant and equipment	**526,697**	559,972	**67,525**	71,791
Employee share-based expense	**21,460**	16,155	**2,751**	2,071
Finance costs	**477,069**	459,779	**61,163**	58,946
Impairment loss on account receivable	**22,686**	21,960	**2,908**	2,815
Impairment loss on inventory	**301,671**	100,079	**38,676**	12,831
Goodwill impairment	**78,000**	—	**10,000**	—
Interest income	**(47,129)**	(97,658)	**(6,042)**	(12,520)
(Gain) loss on disposal of property, plant and equipment	**(4,994)**	74,694	**(640)**	9,576
Loss on disposal of held-for-trading investments	**1,895**	—	**243**	—
Share of the results of associates	**3,077**	270	**394**	35
Fair value gain on foreign currency forward contracts	**(53,576)**	—	**(6,869)**	—
Discount on acquisition of subsidiaries taken to income	**—**	(49,340)	**—**	(6,326)
Change in fair value of held-for-trading investments	**(241)**	(5,571)	**(31)**	(714)
Operating cash flows before movements in working capital	**1,674,713**	1,381,996	**214,706**	177,178
Decrease (increase) in inventories	**912,593**	(1,313,286)	**116,999**	(168,370)
Decrease in trade and other receivables, deposits and prepayments	**476,800**	131,807	**61,128**	16,899
Decrease in bills receivable	**224,900**	124,414	**28,833**	15,951
Decrease (increase) in trade receivables from associates	**9,944**	(1,499)	**1,275**	(192)
Increase in held-for-trading investments	**—**	(3,610)	**—**	(463)
(Decrease) increase in trade and other payables	**(613,425)**	343,276	**(78,644)**	44,010
Decrease in bills payable	**(146,464)**	(36,232)	**(18,777)**	(4,645)
(Decrease) increase in restructuring provision	**(270,715)**	418,380	**(34,707)**	53,638
Decrease in warranty provision	**(39,064)**	(22,637)	**(5,008)**	(2,902)
Increase (decrease) in trade payable to an associate	**1,407**	(11,811)	**180**	(1,514)
Decrease in retirement benefit obligations	**(186,061)**	(39,178)	**(23,854)**	(5,023)
Cash generated from operations	**2,044,628**	971,620	**262,131**	124,567
Interest paid	**(474,563)**	(474,231)	**(60,841)**	(60,799)
Hong Kong profits tax paid	**(37,340)**	(79,408)	**(4,787)**	(10,181)
Overseas tax paid	**(52,400)**	(50,795)	**(6,718)**	(6,512)
Hong Kong profits tax refunded	**638**	15,735	**82**	2,017
Overseas tax refunded	**72,598**	37,218	**9,307**	4,772
Net Cash from Operating Activities	**1,553,561**	420,139	**199,174**	53,864

	2008 HK$'000	2007 HK$'000	2008 US$'000 (Note 56)	2007 US$'000 (Note 56)
Investing Activities				
Purchase of property, plant and equipment	**(667,317)**	(855,996)	**(85,553)**	(109,743)
Additions to intangible assets	**(472,205)**	(230,096)	**(60,539)**	(29,499)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	**—**	(923,504)	**—**	(118,398)
Purchase of available-for-sale investment	**—**	(850)	**—**	(109)
Advances to associates	**(5,768)**	(10,918)	**(739)**	(1,400)
Interest received	**47,129**	97,658	**6,042**	12,520
Proceeds from disposal of property, plant and equipment	**121,932**	24,066	**15,632**	3,085
Proceeds from disposal of held-for-trading investment	**11,875**	—	**1,522**	—
Net Cash Used in Investing Activities	**(964,354)**	(1,899,640)	**(123,635)**	(243,544)
Financing Activities				
(Decrease) increase in discounted bills with recourse	**(573,838)**	535,294	**(73,569)**	68,627
New bank loans obtained	**634,514**	3,324,765	**81,348**	426,252
Increase (decrease) in trust receipt loans	**50,738**	(104,060)	**6,505**	(13,341)
Proceeds from issue of shares	**—**	147,836	**—**	18,953
Repurchase of shares	**—**	(35,175)	**—**	(4,510)
Dividends paid	**(67,556)**	(287,501)	**(8,661)**	(36,859)
Repayment of bank loans	**(1,515,509)**	(1,405,849)	**(194,296)**	(180,237)
Repayment of convertible bonds	**—**	(1,043,003)	**—**	(133,718)
Repayment of obligations under finance leases	**(16,356)**	(10,914)	**(2,097)**	(1,399)
Net Cash (Used in) from Financing Activities	**(1,488,007)**	1,121,393	**(190,770)**	143,768
Net Decrease in Cash and Cash Equivalents	**(898,800)**	(358,108)	**(115,231)**	(45,912)
Cash and Cash Equivalents at Beginning of the Year	**2,874,958**	3,450,073	**368,584**	442,317
Effect of Foreign Exchange Rate Changes	**153,041**	(217,007)	**19,621**	(27,821)
Cash and Cash Equivalents at End of the Year	**2,129,199**	2,874,958	**272,974**	368,584
Analysis of the Balances of Cash and Cash Equivalents				
Represented by:				
Bank balances, deposits and cash	**2,392,931**	3,293,327	**306,786**	422,221
Bank overdrafts	**(263,732)**	(418,369)	**(33,812)**	(53,637)
	2,129,199	2,874,958	**272,974**	368,584

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements have been presented in Hong Kong dollars as the Company is a public limited company incorporated in Hong Kong and the principal place of business of the Company is situated in Hong Kong. The functional currency of the Company is United States Dollars.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 how the results or financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards 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[4]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[5]
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[6]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) - Int 18	Transfer of Assets from Customers[7]

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

[1] Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009

[2] Effective for annual periods beginning on or after January 1, 2009

[3] Effective for annual periods beginning on or after July 1, 2009

[4] Effective for annual periods ending on or after June 30, 2009

[5] Effective for annual periods beginning on or after July 1, 2008

[6] Effective for annual periods beginning on or after October 1, 2008

[7] Effective for transfer on or after July 1, 2009

HKAS 23 (Revised) eliminated the option available under the previous version of HKAS 23 to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, HKAS 23 (Revised) requires that they be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred. The Group currently expenses all borrowing costs as incurred. As a result of the application of HKAS 23 (Revised), borrowing costs related to the acquisition, construction or production of a qualifying asset will be capitalised.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and 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 on 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 Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 or up to the effective date of disposal, as appropriate.

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

3. Significant Accounting Policies *(continued)*

Acquisition of Additional Interests in Subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries. The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to reserves.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to January 1, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and the operation of another entity, the Group has discontinued amortisation from January 1, 2005 onwards, and such goodwill is tested for impairment annually and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after January 1, 2005

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

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

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

Goodwill arising on acquisitions on or after January 1, 2005 *(continued)*

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

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

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in Associates

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

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

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

Investments in associates are included in the Company's balance sheet at cost less any indentified impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies *(continued)*

Intangible Assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs 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.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and Development Expenditure

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

3. Significant Accounting Policies *(continued)*

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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 Buildings

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

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost, less any recognised impairment losses. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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)*

Impairment Losses on 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. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments

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

Financial Assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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 rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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.

At each balance sheet date subsequent to initial recognition, financial assets 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 includes any dividend or interest earned on the financial assets.

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, amounts due from associates, bills receivable, trade receivables from associates, amounts due from subsidiaries, bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 and trade receivables from associates, 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 120 days and 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

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 as 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.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into their respective items on initial recognition.

Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transfer to retained profits). Where the option remains unexercised at the expiry date, the balance stated in the convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Upon redemption of the convertible bonds, the redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible bonds *(continued)*

Differences between the fair value and the carrying amount of the liability component will be recognised in the consolidated income statements. The difference between the redemption consideration and the fair value of the liability component will be included in equity (convertible bonds equity reserve) and released to retained profits.

Other financial liabilities

Other financial liabilities (including unsecured borrowings, trade payables and other payables, bills payable, trade payable to an associate, discounted bills with recourse, bank overdrafts and amount due to subsidiaries/associates) 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.

Share repurchase

On the repurchase of shares, the issued share capital of the Company will be reduced by the nominal value of the repurchased shares and such amount will transferred to the capital redemption reserve. The premium paid on the repurchase, after deducting related expenses, will be charged to retained profits.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit and loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity *(continued)*

Derecognition

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

Financial liabilities are removed from the balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

A provision for warranties is recognised at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

A provision for restructuring is recognised in the balance sheet on condition that the Group has a detailed formal plan and has raised a valid expectation to those affected that the plan will be carried out, either by starting to implement that plan or by announcing that its main features to those affect.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts for goods sold by the Group to outsider customers in the normal course of business, less return and allowances, and commission income and royalty income received.

Turnover from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

3. Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Royalty income is recognised on a time proportion basis in accordance with the terms of the relevant agreements.

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 discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

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 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 by the balance sheet date.

Deferred tax is the difference between the carrying amounts of assets and liabilities in the 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group as a parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profit will be available to allow all or part of the asset to be recovered.

Foreign Currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in translation reserve in the consolidated financial statements.

3. Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Borrowing Costs

All borrowing costs are recognised as and included in finance costs in the income statement as an expense in the period in which they are incurred.

Equity-settled Share-Based Payment Transactions

For share options granted to employees of the Group, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation 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 profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in the employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

Retirement Benefit Schemes

Retirement benefits arrangements are made in accordance with the relevant laws and regulations. Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. All actuarial gains and losses of defined benefit plans are recognised immediately in the income statement in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

A gain or loss arising on curtailment or settlement of a defined benefit scheme is recognised immediately when the curtailment or settlement occurred.

4. Key Sources of Accounting Estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Estimated Impairment of Goodwill and intangible assets with indefinite useful lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. During the year ended December 31, 2008, the Group recognised impairment on goodwill of HK$78,000,000 (2007: nil). As at December 31, 2008, the carrying amount of goodwill and intangible assets with indefinite useful lives are HK$4,071,585,000 (2007: HK$4,164,129,000) and HK$1,378,047,000 (2007: HK$1,380,955,000) respectively. Details of the recoverable amount calculation are disclosed in Note 21.

Estimated Impairment of Deferred Development Costs

During the year, management reassessed the carrying amount of its intangible assets. As at December 31, 2008, the carrying amount of deferred development costs of the Group and the Company are HK$810,151,000 (2007: HK$498,972,000) and HK$425,163,000 (2007: HK$260,166,000) respectively. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material loss may arise. Management is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2008, the carrying amount of property, plant and equipment is HK$2,354,914,000 (2007: HK$2,612,534,000). The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life and dates that the Group place the equipment into production reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

Income Taxes

As at December 31, 2008, a deferred tax asset of HK$340,696,000 (2007: HK$196,557,000) in relation to unused tax losses and HK$49,681,000 (2007: HK$116,660,000) in relation to employee related provisions has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on sufficient future profits, implementation of tax planning strategy or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in the income statement in the period in which such a reversal takes place. During the year, deferred tax assets of HK$179,108,000 in relation to unused tax losses has been recognised.

4. Key Sources of Accounting Estimates *(continued)*

Restructuring and Relocation Costs/Restructuring Provision

Since 2007, the Group has implemented a strategic repositioning plan to close down some manufacturing plants and transfer certain production capabilities to Mainland China. This resulted in a provision for restructuring costs. As at December 31, 2008, the carrying amount of restructuring provision is HK$145,426,000 (2007: HK$418,380,000). The restructuring and relocation costs includes only the direct expenditures arising from the restructuring, which are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Also, the restructuring provision is recognised in the balance sheet on conditions that an entity has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Estimated Impairment of Trade and Other Receivables, Bills Receivable and Amounts Due from Associates

Where there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2008, the carrying amount of trade and other receivables, bills receivable and amounts due from associates is HK$3,948,960,000 (2007: HK$5,140,307,000).

5. Business and Geographical Segments

Business Segments

For management purposes, the Group is engaged in the manufacturing and trading of electrical and electronic products. The segment information is disclosed in accordance with different types of products as its primary segment information.

Income Statement

For the year ended December 31, 2008

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	18,534,426	8,080,893	—	26,615,319
Inter-segment sales	12,054	165,756	(177,810)	—
Total	18,546,480	8,246,649	(177,810)	26,615,319
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment results before restructuring and relocation costs and goodwill impairment	1,169,889	257,892	—	1,427,781
Goowill impairment	—	(78,000)	—	(78,000)
Restructuring and relocation costs	(433,231)	(284,740)	—	(717,971)
Segment results after restructuring and relocation costs and goodwill impairment	736,658	(104,848)	—	631,810
Finance costs				(477,069)
Share of results of associates				(3,077)
Profit before taxation				151,664
Taxation				40,171
Profit for the year				191,835

5. Business and Geographical Segments *(continued)*

Business Segments *(continued)*

Balance Sheet

As at December 31, 2008

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Assets			
Segment assets	**13,233,658**	**5,005,597**	**18,239,255**
Interests in associates			**206,328**
Unallocated corporate assets			**3,343,464**
Consolidated total assets			**21,789,047**
Liabilities			
Segment liabilities	**(5,207,767)**	**(2,626,137)**	**(7,833,904)**
Unallocated corporate liabilities			**(7,007,705)**
Consolidated total liabilities			**(14,841,609)**

Other Information

For the year ended December 31, 2008

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Capital additions	**998,931**	**193,760**	**1,192,691**
Depreciation and amortisation	**547,530**	**165,773**	**713,303**

5. Business and Geographical Segments *(continued)*

Business Segments *(continued)*

Income Statement

For the year ended December 31, 2007

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	16,877,407	7,897,580	—	24,774,987
Inter-segment sales	4,818	252,646	(257,464)	—
Total	16,882,225	8,150,226	(257,464)	24,774,987

Inter-segment sales are charged at prevailing market rates.

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Result				
Segment results before restructuring and relocation costs	1,225,677	146,562	—	1,372,239
Restructuring and relocation costs	(308,129)	(434,889)	—	(743,018)
Segment results after restructuring and relocation costs	917,548	(288,327)	—	629,221
Finance costs				(459,779)
Share of results of associates				(270)
Profit before taxation				169,172
Taxation				(38,999)
Profit for the year				130,173

5. Business and Geographical Segments *(continued)*

Business Segments *(continued)*

Balance Sheet

As at December 31, 2007

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Assets			
Segment assets	14,912,940	5,525,501	20,438,441
Interests in associates			203,637
Unallocated corporate assets			4,327,368
Consolidated total assets			24,969,446
Liabilities			
Segment liabilities	(7,094,685)	(2,629,044)	(9,723,729)
Unallocated corporate liabilities			(8,234,289)
Consolidated total liabilities			(17,958,018)

Other Information

For the year ended December 31, 2007

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Capital additions	957,359	226,678	1,184,037
Acquisition of subsidiaries	251,981	2,202,098	2,454,079
Depreciation and amortisation	515,230	177,226	692,456

Geographical segments

(i) The following table provides an analysis of the Group's sales by geographical market location:

	Turnover	
	2008 HK$'000	2007 HK$'000
By geographical market location:		
North America	**19,633,523**	18,103,801
Europe	**5,918,039**	5,688,905
Other countries	**1,063,757**	982,281
	26,615,319	24,774,987

5. Business and Geographical Segments *(continued)*

Geographical segments *(continued)*

(ii) The following table provides an analysis of segment assets and additions to property, plant and equipment, leasehold land and intangible assets, analysed by geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, leasehold land and intangible assets	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong and People's Republic of China ("PRC")	**3,096,710**	4,698,247	**934,160**	751,379
North America	**9,102,463**	11,625,020	**194,141**	186,179
Europe	**5,584,307**	3,590,628	**64,178**	168,637
Other countries	**455,775**	524,546	**212**	77,842
	18,239,255	20,438,441	**1,192,691**	1,184,037

6. Turnover

Turnover represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission income and royalty income received during the year and is analysed as follows:

	2008 HK$'000	2007 HK$'000
Sale of goods	**26,595,573**	24,768,061
Commission and royalty income	**19,746**	6,926
	26,615,319	24,774,987

7. Other Income

Other income in 2008 mainly comprised of claim/reimburse from customers.

Other income in 2007 included the settlement of a disputed legal matter. The settlement agreement contains non-disclosure items concerning the nature of the dispute, the parties to the dispute and other terms of the agreement. Other income in 2007 also included the discount on acquisition of subsidiaries taken to income amounting to HK$49,340,000.

Other than the disclosure of the above items, the amount in 2007 also included various releases of overprovided accrued obligations and liabilities.

8. Interest Income

	2008 HK$'000	2007 HK$'000
Interest earned on bank deposits	**47,129**	87,495
Interest earned on amount due from an associate	—	10,163
	47,129	97,658

9. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**308,393**	321,959
Obligations under finance leases	**10,145**	9,567
Fixed interest rate notes	**156,025**	142,705
Effective interest expense on convertible bonds	**2,506**	14,385
Total interest	**477,069**	488,616
Debt extinguishment gain	—	(28,837)
	477,069	459,779

10. Restructuring and Relocation Costs

	2008 HK$'000	2007 HK$'000
Restructuring costs	**315,175**	668,481
Relocation costs not through restructuring provision	**402,796**	74,537
	717,971	743,018

Relocation costs mainly represent expenses that would not qualify to be recognised as part of the restructuring provision but that still relate to the Group's restructuring activities. These costs include: inventories written down; impairment of property, plant and equipment; and moving, set-up and transport costs.

11. Taxation credit (charge)

	2008 HK$'000	2007 HK$'000
Current tax:		
Hong Kong profits tax	**(71,487)**	(89,698)
Over (underprovision) in prior years	**11,274**	(8,877)
	(60,213)	(98,575)
Overseas taxation	**134,654**	6,589
(Under) overprovision in prior years	**(46,671)**	16,329
	87,983	22,918
Deferred tax (Note 47):		
Current year	**17,445**	35,925
Attributable to a change in tax rate	**(5,044)**	733
	12,401	36,658
	40,171	(38,999)

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the People's Republic of China (the PRC), the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. During the year, the PRC subsidiaries were under the 50% reduction period.

The tax expenses for the year are reconciled as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**151,664**	169,172
Tax at Hong Kong profits tax rate	**(25,025)**	(29,606)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**88,256**	116,307
Tax effect of expenses not deductible for tax purposes	**(35,910)**	(129,127)
Tax effect of income not taxable for tax purposes	**74,022**	131,509
Tax effect of temporary differences not recognised	**(115,843)**	(186,548)
Recognition of temporary differences previously not recognised	**90,006**	50,833
(Under)overprovision in respect of prior years	**(35,397)**	7,452
Others	**62**	181
Tax credit (charge) for the year	**40,171**	(38,999)

Details of deferred tax are set out in Note 47.

12. Profit for the Year

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**184,886**	130,940
Auditors' remuneration	**22,780**	22,112
Amortisation of lease prepayments	**1,720**	1,544
Change in fair value of held-for-trading investments	**(241)**	(5,571)
Fair value gain on foreign currency forward contract	**(53,576)**	—
Depreciation on property, plant and equipment		
Owned assets	**503,987**	539,417
Assets held under finance leases	**22,710**	20,555
Impairment loss on trade receivables	**22,686**	21,960
(Gain) loss on disposal of property, plant and equipment	**(4,994)**	74,694
Loss on disposal of held-for-trading investments	**1,895**	—
Discount on acquisition of subsidiaries taken to income	**—**	(49,340)
Net exchange loss (gain)	**113,537**	(228,279)
Operating lease expenses recognised in respect of:		
Premises	**170,921**	135,236
Motor vehicles	**61,332**	45,604
Plant and machinery	**32,000**	35,231
Other assets	**40,119**	26,415
Write off of intangible assets	**9,828**	—
Write down of inventories	**301,671**	100,079
Staff costs		
Directors' remuneration		
Fees	**1,229**	1,000
Other emoluments	**66,158**	49,905
	67,387	50,905
Other staff costs	**2,713,028**	2,727,936
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**30,497**	29,743
Defined benefit plans (Note 46)	**(121,844)**	8,630
	2,689,068	2,817,214

Staff costs disclosed above do not include an amount of HK$275,093,000 (2007: HK$382,867,000) relating to research and development activities, which is included under research and development costs.

13. Director's Emoluments

The emoluments paid or payable to each of the 11 (2007: 9) directors were as follows:

For the year ended December 31, 2008

		Other emoluments				
	Fees HK$'000	Basic Salaries and allowances HK$'000	Contributions to retirement benefits schemes HK$'000	Bonus paid HK$'000	Share-based payments HK$'000	Total HK$'000
Mr Horst Julius Pudwill	—	12,148	12	7,738	—	19,898
Mr Joseph Galli Jr	—	8,580	11	14,040	—	22,631
Dr Roy Chi Ping Chung JP	—	6,583	12	1,616	—	8,211
Mr Kin Wah Chan	—	4,811	12	1,360	—	6,183
Mr Chi Chung Chan	—	4,811	12	1,364	—	6,187
Mr Stephan Horst Pudwill	—	1,620	12	100	—	1,732
Mr Vincent Ting Kau Cheung	250	180	—	—	—	430
Mr Joel Arthur Schleicher	250	375	—	—	—	625
Mr Christopher Patrick Langley OBE	250	350	—	—	—	600
Mr Manfred Kuhlmann	250	350	—	—	—	600
Mr Peter David Sullivan	229	61	—	—	—	290
Total	1,229	39,869	71	26,218	—	67,387

For the year ended December 31, 2007

		Other emoluments				
	Fees HK$'000	Basic Salaries and allowances HK$'000	Contributions to retirement benefits schemes HK$'000	Bonus paid HK$'000	Share-based payments HK$'000	Total HK$'000
Mr Horst Julius Pudwill	—	18,831	12	6,716	—	25,559
Dr Roy Chi Ping Chung JP	—	6,491	12	2,036	—	8,539
Mr Kin Wah Chan	—	4,742	12	1,583	—	6,337
Mr Chi Chung Chan	—	4,742	12	1,598	—	6,352
Mr Stephan Horst Pudwill	—	1,620	12	100	—	1,732
Mr Vincent Ting Kau Cheung	250	220	—	—	—	470
Mr Joel Arthur Schleicher	250	386	—	—	—	636
Mr Christopher Patrick Langley OBE	250	390	—	—	—	640
Mr Manfred Kuhlmann	250	390	—	—	—	640
Mr Peter David Sullivan	—	—	—	—	—	—
Total	1,000	37,812	60	12,033	—	50,905

The bonus paid were based on performance of the Group.

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: four) were group directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining two (2007: one) individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries and allowance	**3,885**	9,360
Contributions to retirement benefits schemes	**73**	12
Bonus paid	**21,044**	—
Share-based payment	**—**	2,255
	25,002	11,627

The emoluments of the highest paid individuals were within the following bands:

	No. of persons	
HK$	**2008**	2007
6,000,001 - 6,500,000	**1**	—
11,500,001 - 12,000,000	**—**	1
18,500,001 - 19,000,000	**1**	—

During each of the two years ended December 31, 2008 and 2007, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

15. Dividends

	2008 **HK$'000**	2007 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid:		
2007: HK 1.50 cents (2006: HK 12.60 cents) per share	**22,519**	189,636
Interim dividend paid:		
2008: HK 3.00 cents (2007: HK 6.50 cents) per share	**45,037**	97,865
	67,556	287,501

The final dividend in respect of the current financial year of HK3.00 cents per share (2007: HK1.50 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

16. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2008 HK$'000	2007 HK$'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the parent	**174,807**	125,257
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	—	14,385
Debt extinguishment gain	—	(28,837)
Earnings for the purpose of diluted earnings per share	**174,807**	110,805
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,501,252,152**	1,490,103,389
Effect of dilutive potential ordinary shares:		
Share options	**4,672**	1,071,527
Convertible bonds	—	5,722,679
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,501,256,824**	1,496,897,595

The computation of diluted earnings per share for the year ended December 31, 2008 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share and does not assume the exercise of the Company's outstanding share options if the exercise price of those options is higher than the average market price for shares for both 2008 and 2007.

17. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
The Group									
Cost									
At January 1, 2007	925,539	203,719	833,147	1,956,183	33,129	2,122,427	11,899	141,902	6,227,945
Currency realignment	44,118	2,855	23,919	80,220	1,128	57,684	—	11,729	221,653
Additions	13,433	69,985	125,633	111,242	13,157	199,939	14	326,307	859,710
Acquisition of subsidiaries	242,064	4,741	45,724	254,218	3,640	20,775	—	—	571,162
Disposals	—	(50,360)	(84,228)	(251,925)	(10,415)	(748,884)	(840)	(2,288)	(1,148,940)
Reclassification	(4,829)	2,416	39,905	(15,581)	—	40,251	—	(69,141)	(6,979)
At December 31, 2007	1,220,325	233,356	984,100	2,134,357	40,639	1,692,192	11,073	408,509	6,724,551
Currency realignment	(14,692)	(2,388)	(32,777)	(23,307)	(1,550)	(28,027)	—	11,599	(91,142)
Additions	22,101	45,949	105,535	74,179	2,959	148,299	—	319,614	718,636
Disposals	(179,484)	(63,177)	(44,913)	(455,578)	(6,553)	(256,217)	(2,700)	(8,497)	(1,017,119)
Reclassification	10,369	59,755	(44,817)	198,137	72	32,608	—	(449,666)	(193,542)
At December 31, 2008	**1,058,619**	**273,495**	**967,128**	**1,927,788**	**35,567**	**1,588,855**	**8,373**	**281,559**	**6,141,384**
Depreciation and Amortisation									
At January 1, 2007	315,013	126,956	614,096	1,464,415	23,647	1,884,742	7,330	—	4,436,199
Currency realignment	22,352	701	14,397	65,868	693	54,192	—	—	158,203
Provided for the year	51,349	23,699	106,765	158,659	4,750	213,033	1,717	—	559,972
Acquisition of subsidiaries	—	281	5,365	1,395	783	—	—	—	7,824
Eliminated on disposals	—	(50,136)	(80,326)	(164,394)	(10,299)	(744,186)	(840)	—	(1,050,181)
Reclassification	—	(9)	(35)	(71)	48	67	—	—	—
At December 31, 2007	388,714	101,492	660,262	1,525,872	19,622	1,407,848	8,207	—	4,112,017
Currency realignment	(8,135)	(619)	(18,743)	(22,678)	(758)	(24,542)	—	—	(75,475)
Provided for the year	47,855	27,438	120,459	153,123	5,997	170,126	1,699	—	526,697
Eliminated on disposals	(41,675)	(49,691)	(38,198)	(402,205)	(4,106)	(238,233)	(2,661)	—	(776,769)
Reclassification	(18)	4,142	(18,202)	14,639	—	(561)	—	—	—
At December 31, 2008	**386,741**	**82,762**	**705,578**	**1,268,751**	**20,755**	**1,314,638**	**7,245**	**—**	**3,786,470**
Net Book Values									
At December 31, 2008	**671,878**	**190,733**	**261,550**	**659,037**	**14,812**	**274,217**	**1,128**	**281,559**	**2,354,914**
At December 31, 2007	831,611	131,864	323,838	608,485	21,017	284,344	2,866	408,509	2,612,534

17. Property, Plant and Equipment *(continued)*

	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
The Company							
Cost							
At January 1, 2007	65,945	84,801	138,813	164,528	10,089	575,302	1,039,478
Currency realignment	—	—	—	196	—	—	196
Additions	—	3,530	17,324	16,827	3,899	52,736	94,316
Transfer (to) from subsidiaries	—	—	—	(5,464)	—	7,760	2,296
Disposals	—	(36,393)	(37,775)	(56,807)	(5,528)	(446,145)	(582,648)
At December 31, 2007	65,945	51,938	118,362	119,280	8,460	189,653	553,638
Currency realignment	—	—	—	—	—	—	—
Additions	—	725	18,443	20,617	—	70,121	109,906
Transfer (to) from subsidiaries	—	—	—	5,675	(296)	—	5,379
Disposals	—	(27,973)	(20,121)	(14,815)	(1,417)	—	(64,326)
At December 31, 2008	**65,945**	**24,690**	**116,684**	**130,757**	**6,747**	**259,774**	**604,597**
Depreciation and Amortisation							
At January 1, 2007	26,035	63,320	106,477	128,551	8,651	509,691	842,725
Currency realignment	—	—	—	65	—	—	65
Provided for the year	2,638	7,857	15,697	13,992	862	46,754	87,800
Transfer (to) from subsidiaries	—	—	—	(1,720)	—	6,339	4,619
Eliminated on disposals	—	(36,393)	(37,648)	(56,807)	(5,309)	(446,145)	(582,302)
At December 31, 2007	28,673	34,784	84,526	84,081	4,204	116,639	352,907
Currency realignment	—	—	—	—	—	—	—
Provided for the year	2,754	7,112	17,161	15,721	1,327	48,966	93,041
Transfer (to) from subsidiaries	—	—	—	1,661	(296)	—	1,365
Eliminated on disposals	—	(23,109)	(18,107)	(12,428)	(1,322)	—	(54,966)
At December 31, 2008	**31,427**	**18,787**	**83,580**	**89,035**	**3,913**	**165,605**	**392,347**
Net Book Values							
At December 31, 2008	**34,518**	**5,903**	**33,104**	**41,722**	**2,834**	**94,169**	**212,250**
At December 31, 2007	37,272	17,154	33,836	35,199	4,256	73,014	200,731

17. Property, Plant and Equipment *(continued)*

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

Freehold land	Nil
Buildings	4%
Leasehold improvements	$2^1/_2$ - 25%
Office equipment, furniture and fixtures	10% - $33^1/_3$%
Plant and machinery	10% - 25%
Motor vehicles	18% - 25%
Moulds and tooling	20% - $33^1/_3$%
Vessels	20%

The net book values of properties shown above comprise:

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	**637,360**	752,812	**—**	—
Medium-term lease	**34,518**	78,799	**34,518**	37,272
	671,878	831,611	**34,518**	37,272

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK$66,813,000 and HK$2,436,000 respectively (2007: HK$134,844,000 and HK$3,312,000 respectively) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately HK$2,000,914,000 and HK$245,584,000 (2007: HK$1,880,717,000 and HK$188,155,000) respectively in respect of fully depreciated property, plant and equipment that is still in use.

18. Lease Prepayments

	The Group HK$'000	The Company HK$'000
Cost		
At January 1, 2007	71,183	6,449
Currency realignment	4,871	—
Acquisition of subsidiaries	2,068	—
Reclassification from construction in progress	6,979	—
At December 31, 2007	85,101	6,449
Currency realignment	11,437	—
Additions	1,850	—
Reclassification from construction in progress	193,542	—
At December 31, 2008	**291,930**	**6,449**
Amortisation		
At January 1, 2007	4,524	1,935
Currency realignment	234	—
Provided for the year	1,544	129
At December 31, 2007	6,302	2,064
Currency realignment	335	—
Provided for the year	1 ,720	129
At December 31, 2008	**8,357**	**2,193**
Net Book Values		
At December 31, 2008	**283,573**	**4,256**
At December 31, 2007	78,799	4,385

All lease prepayments are medium-term leases outside Hong Kong.

The transfer in of prepaid lease payments of HK$193,542,000 (2007: HK$6,979,000) represents a reclassification from property, plant and equipment upon the completion of related construction work.

19. Goodwill

	The Group HK$'000
Cost	
At January 1, 2007	4,042,996
Currency realignment	26,902
Arising on acquisition of subsidiaries	94,231
At December 31, 2007	4,164,129
Impairment	(78,000)
Currency realignment	(14,544)
At December 31, 2008	**4,071,585**

Particulars regarding impairment testing of goodwill are disclosed in Note 21.

20. Intangible Assets

	Deferred development costs HK$'000	Patents and Trademarks HK$'000	Manufacturing know-how HK$'000	Retailer and service relationship HK$'000	Total HK$'000
The Group					
Cost					
At January 1, 2007	477,008	1,309,870	3,510	—	1,790,388
Currency realignment	9,395	8,423	5	72	17,895
Additions	205,103	24,896	97	—	230,096
Written off in the year	—	(6,027)	—	—	(6,027)
Acquisition of subsidiaries	—	394,466	—	50,627	445,093
At December 31, 2007	691,506	1,731,628	3,612	50,699	2,477,445
Currency realignment	(4,374)	(5,693)	(2)	(129)	(10,198)
Additions	453,409	18,796	—	—	472,205
Written off in the year	—	(16,854)	(100)	—	(16,954)
At December 31, 2008	**1,140,541**	**1,727,877**	**3,510**	**50,570**	**2,922,498**
Amortisation					
At January 1, 2007	89,415	77,574	3,218	—	170,207
Currency realignment	3,505	2,742	1	—	6,248
Provided for the year	99,614	31,017	309	—	130,940
Eliminated on write off	—	(6,027)	—	—	(6,027)
At December 31, 2007	192,534	105,306	3,528	—	301,368
Currency realignment	(1,915)	(1,259)	(1)	(3)	(3,178)
Provided for the year	139,478	42,583	293	2,532	184,886
Eliminated on write off	—	(7,109)	(17)	—	(7,126)
Transfer from (to)	293	—	(293)	—	—
At December 31, 2008	**330,390**	**139,521**	**3,510**	**2,529**	**475,950**
Carrying Amounts					
At December 31, 2008	**810,151**	**1,588,356**	**—**	**48,041**	**2,446,548**
At December 31, 2007	498,972	1,626,322	84	50,699	2,176,077

20. Intangible Assets *(continued)*

	Deferred development costs HK$'000	Patents and Trademarks HK$'000	Manufacturing know-how HK$'000	Total HK$'000
The Company				
Cost				
At January 1, 2007	210,482	56,885	—	267,367
Additions	112,275	—	—	112,275
At December 31, 2007	322,757	56,885	—	379,642
Additions	212,965	9,707	—	222,672
Transfer from subsidiaries	16,583	110,558	71,863	199,004
At December 31, 2008	**552,305**	**177,150**	**71,863**	**801,318**
Amortisation				
At January 1, 2007	20,495	26,680	—	47,175
Provided for the year	42,096	12,358	—	54,454
At December 31, 2007	62,591	39,038	—	101,629
Provided for the year	64,551	13,069	—	77,620
At December 31, 2008	**127,142**	**52,107**	**—**	**179,249**
Carrying Amounts				
At December 31, 2008	**425,163**	**125,043**	**71,863**	**622,069**
At December 31, 2007	260,166	17,847	—	278,013

The retailer and service relationship were acquired through business combinations during 2007, which related to the relationships with retailers and service centres. They have definite useful lives and are amortised on a straight-line basis over 20 years.

Deferred development costs are internally generated. All the patents and trademarks and manufacturing know-how were acquired from third parties or from business combinations. The above intangible assets, other than trademarks with an indefinite useful life of HK$1,378,047,000 (2007:HK$1,380,955,000) of the Group, have definite useful lives and are amortised on a straight-line basis over 4 to 20 years.

The trademarks with indefinite useful life of HK$1,378,047,000 (2007:HK$1,380,955,000) are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 21.

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 19 and 20 have been allocated to four individual cash generating units (CGUs), including three units in Power Equipment segment and one units in Floor Care Segment. The carrying amounts of goodwill and trademarks as at December 31, 2008 allocated to these units are as follows:

	Goodwill		Trademarks	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Power Equipment – MET	**3,138,905**	3,146,892	**901,756**	904,051
Power Equipment – HCP	**58,589**	58,739	**235,111**	235,111
Power Equipment – Baja	**70,331**	70,331	**24,896**	24,959
Floor Care and Appliances – RAM/Hoover	**537,577**	615,577	**216,284**	216,834
Others	**266,183**	272,590	**—**	—
	4,071,585	4,164,129	**1,378,047**	1,380,955

During the year ended December 31, 2008, management of the Group determined that a goodwill impairment of HK$78,000,000 to the Floor Care and Appliances – RAM/Hoover CGU and no impairments to other CGUs containing goodwill or trademarks with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Power Equipment - MET ("MET")

The recoverable amount of MET has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and a discount rate of 10.9% (2007: 10.7%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on MET's past performance, management's expectation for the market development, the successfulness in reducing the working capital requirements and the successfulness of the cost cutting strategy to be implemented by the Group with the strategic repositioning plan. Cash flow projections beyond the 10-year period are extrapolated using a steady 3% growth rate.

The recoverable amount of the MET cash generating unit exceeds the carrying amount by HK$272,300,000.

The discount rate of 10.9% was a key assumption used in determining the value in use of the cash generating unit. The discount rate would have to increase to 11.5% in order for the aggregate of the cash generating unit's recoverable amount to be equal to its carrying amount. Management considers the discount rate to appropriately capture the risk of achieving their projected financial performance.

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Power Equipment – HCP ("HCP")

The recoverable amount of HCP has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11% per annum.

Cash flow projections during the budget period for HCP are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on HCP's past performance, management's expectation for the market development, the successfulness in new products launch in 2009 and the successfulness of the cost cutting strategy to be implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonablely possible change in any of these assumptions would not caused the aggregate carrying amount of HCP to exceed the aggregate recoverable amount of HCP.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11% per annum.

Cash flow projections during the budget period for Baja are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Baja's past performance, management's expectation for the market development and the successfulness of the cost cutting strategy implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonablely possible change in any of these assumptions would not caused the aggregate carrying amount of Baja to exceed the aggregate recoverable amount of Baja.

Floor Care – RAM/Hoover ("RAM/Hoover")

The recoverable amount of RAM/Hoover has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13% (2007: 11.6%) per annum.

Cash flow projections during the budget period for RAM/Hoover are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimation are based on RAM/Hoover's past performance, management's expectation for the market development to achieve a significant rebound in 2010, the successfulness in reducing the working capital requirements and the successfulness of the cost cutting strategies implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate.

During the year, the Group recognised HK$78,000,000 (2007: nil) impairment on goodwill for the RAM/Hoover CGU.

22. Investments in Subsidiaries

	The Company	
	2008 HK$'000	2007 HK$'000
Investments in unlisted shares, at cost	**1,349,487**	1,182,712
Loans to subsidiaries	**1,823,148**	—
	3,172,635	1,182,712

Particulars of the principal subsidiaries of the Company as at December 31, 2008 are set out in Note 54.

The loans to subsidiaries are unsecured, bear interest at 7.875% to 10.150% and are repayable in 2018.

23. Interests in Associates

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**23,790**	23,790
Share of net assets	**11,152**	14,229	**—**	—
Amounts due from associates	**195,176**	189,408	**185,176**	173,149
	206,328	203,637	**208,966**	196,939

Particulars of the associates as at December 31, 2008 and December 31, 2007 are set out in Note 55.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current assets.

23. Interests in Associates *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2008 **HK$'000**	2007 HK$'000
Total assets	**110,966**	115,747
Total liabilities	**(66,357)**	(58,832)
Net assets	**44,609**	56,915
Group's share of net assets of associates	**11,152**	14,229
Turnover	**261,353**	262,583
Loss for the year	**(12,674)**	(7,746)
Group's share of result of associates for the year	**(3,077)**	(270)

At the balance sheet date, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of loss for the year and cumulatively are HK$149,000 (2007: HK$3,601,000) and HK$39,842,000 (2007: HK$39,694,000) respectively. The carrying value of the Group's interests in the Gimelli Group companies is Nil at both December 31, 2008 and December 31, 2007.

24. Available-for-sale Investments

	The Group		**The Company**	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**17,058**	17,058	**1,695**	1,695

As at December 31, 2008, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

25. Inventories

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**1,070,570**	1,458,159	**287,883**	400,181
Work in progress	**143,587**	248,539	**2,856**	86,314
Finished goods	**3,308,209**	4,244,908	**99,918**	104,257
	4,522,366	5,951,606	**390,657**	590,752

26. Trade and Other Receivables

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**3,406,166**	4,282,232	**43,988**	50,650
Less: Allowances for doubtful debts	**(101,207)**	(94,048)	**—**	(20,812)
	3,304,959	4,188,184	**43,988**	29,838
Other receivables	**210,624**	283,660	**—**	—
	3,515,583	4,471,844	**43,988**	29,838

The aged analysis of trade receivables, net of allowances for doubtful debts, at the balance sheet date is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 60 days	**2,652,165**	3,711,634	**34,413**	29,838
61 to 120 days	**353,212**	300,597	**1,042**	—
121 days or above	**299,582**	175,953	**8,533**	—
Total trade receivables	**3,304,959**	4,188,184	**43,988**	29,838

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

26. Trade and Other Receivables *(continued)*

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$299,582,000 (2007: HK$175,953,000) 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. The average age of these receivables is 271 days (2007: 291 days).

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired

	The Group		The Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
121 - 365 days	**280,062**	155,153	**316**	—
1 - 2 years	**5,931**	13,508	**681**	—
Over 2 years	**13,589**	7,292	**7,536**	—
Total	**299,582**	175,953	**8,533**	—

Movement in the allowance for doubtful debts

	The Group		The Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Balance at beginning of the year	**94,048**	77,586	**20,812**	20,812
Currency realignment	**(3,921)**	2,538	**—**	—
Impairment losses recognised on receivables	**22,686**	21,960	**—**	—
Amounts written off as uncollectible	**(5,154)**	(885)	**—**	—
Amounts recovered during the year	**(6,452)**	(7,151)	**(20,812)**	—
Balance at end of the year	**101,207**	94,048	**—**	20,812

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to HK$101,207,000 (2007: HK$94,048,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

26. Trade and Other Receivables *(continued)*

Ageing of impaired trade receivables

	2008 HK$'000	2007 HK$'000
0 - 120 days	**63,292**	51,428
121 - 365 days	**26,044**	20,762
1 - 2 years	**6,250**	10,049
Over 2 years	**5,621**	11,809
Total	**101,207**	94,048

27. Bills Receivable

All the Group's and Company's bills receivable at December 31, 2008 and 2007 are due within 120 days.

28. Amounts Due from (to) Subsidiaries

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

29. Trade Receivables from Associates

The fair value of the Group's trade receivables from associates at December 31, 2008 and 2007 approximates the corresponding carrying amount. All the Group's trade receivables from associates at December 31, 2008 and 2007 are due within 120 days.

30. Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Major terms of the foreign currency forward contracts are as follows:

Notional amount	**Maturity**	**Exchange rates**
Buy US$ 25M, Sell AU$	January 28, 2009 to June 30, 2009	US$ 0.8344 to 0.9000 : AU$ 1
Buy US$ 14M, Sell GBP	January 8, 2009 to March 16, 2009	US$ 1.4953 to 1.8352 : GBP 1

31. Held-for-Trading Investments

The Group's held-for-trading investments at December 31, 2008 and 2007 are carried at fair value using the market bid prices on the closing date method.

32. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.17% to 4.87% (2007: 2.07% to 5.70%). Bank overdrafts carry interest at market rates which range from 3.25% to 7.25% (2007: 6.75% to 8.25%).

33. Trade and Other Payables

The aged analysis of trade payables is as follows:

	The Group		The Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
0 to 60 days	**1,560,330**	1,947,377	**353,704**	355,507
61 to 120 days	**483,519**	370,703	**134,037**	263,062
121 days or above	**27,579**	43,254	**15,367**	9,222
Total trade payables	**2,071,428**	2,361,334	**503,108**	627,791
Other payables	**1,706,365**	2,105,073	**128,504**	172,433
	3,777,793	4,466,407	**631,612**	800,224

The fair value of the Group's and the Company's trade and other payables at December 31, 2008 and 2007 approximates the corresponding carrying amount.

34. Bills Payable

The fair value of the Group's and the Company's bills payable at December 31, 2008 approximates the corresponding carrying amount.

All the Group's and Company's bills payable at December 31, 2008 and 2007 are due within 120 days.

35. Warranty Provision

	The Group **2008** **HK$'000**	**The Company** **2008** **HK$'000**
At January 1, 2008	**474,386**	**26,642**
Currency realignment	**(8,744)**	**—**
Additional provision in the year	**437,218**	**101,309**
Utilisation of provision	**(476,282)**	**(37,245)**
At December 31, 2008	**426,578**	**90,706**

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold. It is expected that the majority of this expenditure will be incurred in the next financial year.

36. Trade Payable to An Associate

The fair value of the Group's and the Company's trade payable to an associate at December 31, 2008 and 2007 approximates the corresponding carrying amount.

37. Restructuring Provision

	2008 HK$'000
At January 1, 2008	418,380
Currency realignment	(2,240)
Additional provision for the year	315,175
Utilisation of provision	(585,889)
At December 31, 2008	145,426

The balance of the provision is expected to be utilised in 2009.

Over the past five years, the Group has grown substantially and aggressively, both organically and through acquisitions. In order to fully exploit the synergies and growth opportunities offered by acquisitions and business scale, the Board of Directors has approved a series of strategic repositioning initiatives designed to significantly boost future performance. These will include: a re-deployment of global manufacturing and product development capabilities; expanding highly recognised brands and product categories in markets where they are under-represented; and a reorganisation of structures and resources around newly created business units for more efficient management of brands, products, and investments.

The Group started to implement this plan in 2007. The relevant restructuring charges which the Group incurred were charged as operating expenses during the year.

The management of the Group expects that after the completion of the strategic repositioning plan, there will be substantial savings in 2009 and afterwards.

38. Obligations Under Finance Leases

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment under finance leases, with lease terms ranging from 3 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates. No arrangements have been entered into for contingent rental payments.

The maturity of obligations under finance leases is as follows:

	The Group				The Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amounts payable under finance leases:								
Within one year	**18,427**	19,457	**16,815**	17,635	**955**	955	**865**	827
In more than one year but not more than two years	**20,740**	20,549	**14,337**	17,727	**955**	955	**901**	865
In more than two years but not more than three years	**16,723**	16,446	**10,685**	13,777	**758**	955	**735**	904
In more than three years but not more than four years	**15,680**	15,819	**9,754**	13,283	**—**	746	**—**	732
In more than four years but not more than five years	**13,060**	14,821	**10,734**	12,386	**—**	—	**—**	—
More than five years	**20,156**	141,226	**14,755**	77,520	**—**	—	**—**	—
	104,786	228,318	**77,080**	152,328	**2,668**	3,611	**2,501**	3,328
Less: future finance charges	**(27,706)**	(75,990)	**—**	—	**(167)**	(282)	**—**	—
Present value of lease obligations	**77,080**	152,328	**77,080**	152,328	**2,501**	3,329	**2,501**	3,328
Less: Amount due within one Year shown under current liabilities			**(16,815)**	(17,635)			**(865)**	(827)
Amount due after one year			**60,265**	134,693			**1,636**	2,501

The Group's obligation under finance lease that are denominated in currencies other than the functional currencies of the Group's entity are HK$56,205,000 (2007: HK$129,404,000).

The fair value of the Group's and the Company's finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate at December 31, 2008 and 2007, approximates their carrying amount.

39. Discounted Bills with Recourse

Bills discounted with a bank at an effective interest rate of 3.96% per annum (2007: 5.95% per annum) have a maturity profile of less than 120 days.

40. 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 maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes borrowings, discounted bills with recourse, convertible bonds and obligations under finance leases), net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 35% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group expects to decrease its gearing ratio comparable to that of the 2007 level within the next 18 months through the continued generating of cash inflows by growth of the business.

The gearing ratio at the year end was as follows:

	2008 **HK$'000**	2007 HK$'000
Debt (i)	**8,864,783**	10,512,423
Cash and cash equivalents	**(2,392,931)**	(3,293,327)
Net debt	**6,471,852**	7,219,096
Equity (ii)	**6,839,135**	6,920,125
Net debt to equity ratio	**94.63%**	104.32%

(i) Debt comprises bank overdrafts, obligations under finance leases, discounted bills with recourse, convertible bonds and unsecured borrowings as detailed in Notes 32, 38, 39, 43 and 42 respectively.

(ii) Equity includes all capital and reserves of the Group.

In addition, based on the management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

41. Financial Instruments

41.1 Categories of financial instruments

	2008 HK$'000	2007 HK$'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**3,451**	17,192
Derivative financial instruments		
Foreign currency forward contracts	**53,576**	—
Available-for-sale investments	**17,058**	17,058
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**3,515,583**	4,471,844
Bills receivable	**238,092**	469,002
Trade receivables from associates	**109**	10,053
Bank balances, deposits and cash	**2,392,931**	3,293,327
Amounts due from associates	**195,176**	189,408
	6,341,891	8,433,634
Financial liabilities		
Other financial liabilities		
Trade and other payables	**3,777,793**	4,466,407
Bills payable	**152,759**	299,223
Trade payables to an associate	**1,407**	—
Obligations under finance leases	**77,080**	152,328
Discounted bills with recourse	**2,462,611**	3,036,449
Unsecured borrowings	**5,960,555**	6,806,978
Bank overdrafts	**263,732**	418,369
Convertible bonds	**100,805**	98,299
	12,796,742	15,278,053
The Company		
Financial assets		
Available-for-sale investments	**1,695**	1,695
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**43,988**	29,838
Bills receivables	**3,152**	214,926
Bank balances, deposits and cash	**861,884**	580,400
Amounts due from associates	**185,176**	173,149
Loans to/Amounts due from subsidiaries	**7,599,616**	7,917,745
	8,693,816	8,916,058
Financial liabilities		
Other financial liabilities		
Trade and other payables	**631,612**	800,224
Bills payable	**126,234**	283,013
Trade payable to an associate	**1,407**	—
Amounts due to subsidiaries	**634,792**	70,646
Obligations under finance leases	**2,501**	3,328
Discounted bills with recourse	**2,290,707**	2,327,957
Unsecured borrowings	**1,519,776**	1,910,951
Convertible bonds	**100,805**	98,299
	5,307,834	5,494,418

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies

The Group's Corporate Treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

41.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 23.2% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 15.4% of costs are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
The Group				
Group Foreign Currency				
EURO	**13,748**	14,973	**98,145**	1,101,149

	Liabilities		Assets	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
The Company				
Company Foreign Currency				
EURO	**3,885**	5,338	**1,521,419**	1,006,740

Note: Monetary assets and monetary liabilities denominated in Hong Kong dollars have no material foreign currency risk exposure as Hong Kong dollars are pegged with United States dollars.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity analysis

The Group and the Company is mainly exposed to the effects of fluctuation in the EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO. 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. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in post-tax profit for the year where the United States dollars strengthens 5% against the EURO. For a 5% weakening of the United States dollar against the EURO, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Impact of EURO				
Profit for the year (i)	**(4,220)**	(54,310)	**(75,877)**	(50,070)

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the year end.

41.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowing. (see note 42 for details of these borrowings).

The Group's and the Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's and the Company's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings, bank overdrafts and discounted bills with recourse at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR 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.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2008 would decrease/increase by HK$30,172,000 (2007:decrease/increase by HK$30,244,000). The Company's profit for the year ended December 31, 2008 would decrease/increase by HK$16,565,000 (2007:decrease/increase by HK$21,195,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate borrowings.

The Group's and the Company's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.3 Credit risk Management

As at December 31, 2008, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in Note 50.

In order to minimize the credit risk, the management has delegated a team 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 and debt investments 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 and the Company's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

41.2.4 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2008, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK$575 million (2007: HK$479 million) and HK$1,513 million (2007: HK$637 million) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative and certain non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the carrying amounts of the financial assets. For non-derivative financial liabilities, the tables reflect the carrying amounts of financial liabilities based on the earliest date on which the Group can be required to pay.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.4 Liquidity Risk Management *(continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total carrying amount at December 31, 2008 HK$'000
The Group							
2008							
Non-derivative financial assets							
Held-for-trading investments	—	3,451	—	—	—	—	3,451
Available-for-sale investments	—	—	—	—	17,058	—	17,058
Trade and other receivables	—	1,341,939	1,518,439	655,205	—	—	3,515,583
Bills receivable	—	95,870	115,661	26,561	—	—	238,092
Trade receivables from associates	—	109	—	—	—	—	109
Bank balances, deposits and cash	0.17% - 4.87%	2,084,191	308,740	—	—	—	2,392,931
Amounts due from associates	—	—	—	—	—	195,176	195,176
		3,525,560	1,942,840	681,766	17,058	195,176	6,362,400
Non-derivative financial liabilities							
Trade and other payables	—	(1,613,147)	(1,870,384)	(294,262)	—	—	(3,777,793)
Bills payable	—	(49,695)	(103,031)	(33)	—	—	(152,759)
Trade payable to associates	—	—	—	(1,407)	—	—	(1,407)
Obligations under finance leases	10.4%	(5,274)	(5,846)	(5,694)	(14,338)	(45,928)	(77,080)
Discounted bills with recourse	3.96%	(792,725)	(1,102,227)	(567,659)	—	—	(2,462,611)
Variable rate borrowings	0.85% - 7.59%	(771,961)	(960,530)	(1,357,361)	(83,735)	(134,505)	(3,308,092)
Fixed rate borrowings	5.09% - 6.44%	—	—	—	(191,275)	(2,461,188)	(2,652,463)
Bank overdrafts	3.25% - 7.25%	(263,732)	—	—	—	—	(263,732)
Convertible bonds	2.11%	—	—	(100,805)	—	—	(100,805)
		(3,496,534)	(4,042,018)	(2,327,221)	(289,348)	(2,641,621)	(12,796,742)

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.4 Liquidity Risk Management *(continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total carrying amount at December 31, 2008 HK$'000
The Group							
2007							
Non-derivative financial assets							
Held-for-trading investments	—	17,192	—	—	—	—	17,192
Available-for-sale investments	—	—	—	—	17,058	—	17,058
Trade and other receivables	—	2,752,275	1,342,935	376,634	—	—	4,471,844
Bills receivable	—	272,128	181,324	15,550	—	—	469,002
Trade receivables from associates	—	10,053	—	—	—	—	10,053
Bank balances, deposits and cash	2.07% - 5.70%	3,233,333	59,994	—	—	—	3,293,327
Amounts due from associates	7.22%	—	—	—	—	189,408	189,408
		6,284,981	1,584,253	392,184	17,058	189,408	8,467,884
Non-derivative financial liabilities							
Trade and other payables	—	(3,720,449)	(629,804)	(116,054)	—	—	(4,466,307)
Bills payable	—	(166,922)	(131,194)	(1,107)	—	—	(299,223)
Obligations under finance leases	11.94%	(1,469)	(2,939)	(13,227)	(17,727)	(116,966)	(152,328)
Discounted bills with recourse	5.95%	(963,328)	(2,006,534)	(66,587)	—	—	(3,036,449)
Variable rate borrowings	3.53% - 6.73%	—	—	(2,566,503)	(13,835)	(1,573,710)	(4,154,048)
Fixed rate borrowings	4.09% - 5.44%	—	—	—	—	(2,652,930)	(2,652,930)
Bank overdrafts	6.75% - 8.25%	(418,369)	—	—	—	—	(418,369)
Convertible bonds	2.11%	—	—	—	(98,299)	—	(98,299)
		(5,270,537)	(2,770,471)	(2,763,478)	(129,861)	(4,343,606)	(15,277,953)

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.4 Liquidity Risk Management *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total carrying amount at December 31, 2008 HK$'000
The Company							
2008							
Non-derivative financial assets							
Available-for-sale investments	—	—	—	—	1,695	—	1,695
Trade and other receivables	—	17,207	17,727	9,054	—	—	43,988
Bills receivable	—	1,582	—	1,570	—	—	3,152
Bank balances, deposits and cash	0.17% - 4.87%	861,884	—	—	—	—	861,884
Amounts due from associates	—	—	—	—	—	185,176	185,176
Loans to/Amounts due from subsidiaries	—	5,776,468	—	—	—	1,823,148	7,599,616
		6,657,141	17,727	10,624	1,695	2,008,324	8,695,511
Non-derivative financial liabilities							
Trade and other payables	—	(233,370)	(307,024)	(91,218)	—	—	(631,612)
Bills payable	—	(24,153)	(102,081)	—	—	—	(126,234)
Amounts due to subsidiaries	—	(634,792)	—	—	—	—	(634,792)
Amounts due to associates	—	—	(1,407)	—	—	—	(1,407)
Obligations under finance leases	2.25%	(79)	(159)	(627)	(901)	(735)	(2,501)
Discounted bills with recourse	3.96%	(730,421)	(1,207,750)	(352,536)	—	—	(2,290,707)
Unsecured borrowings	0.85% - 7.59%	(376,676)	(92,800)	(855,800)	(77,800)	(116,700)	(1,519,776)
Convertible bonds	2.11%	—	—	(100,805)	—	—	(100,805)
		(1,999,491)	(1,711,221)	(1,400,986)	(78,701)	(117,435)	(5,307,834)

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.4 Liquidity Risk Management *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total carrying amount at December 31, 2008 HK$'000
The Company							
2007							
Non-derivative financial assets							
Available-for-sale investments	—	—	—	—	1,695	—	1,695
Trade and other receivables	—	25,189	4,649	—	—	—	29,838
Bills receivable	—	88,063	126,863	—	—	—	214,926
Bank balances, deposits and cash	2.07%-5.70%	580,400	—	—	—	—	580,400
Amounts due from associates	7.22%	—	—	—	—	173,149	173,149
Amounts due from subsidiaries	—	7,917,745	—	—	—	—	7,917,745
		8,611,397	131,512	—	1,695	173,149	8,917,753
Non-derivative financial liabilities							
Trade and other payables	—	(566,223)	(234,001)	—	—	—	(800,224)
Bills payable	—	(160,557)	(122,456)	—	—	—	(283,013)
Amounts due to subsidiaries	—	(70,646)	—	—	—	—	(70,646)
Obligations under finance leases	3.81%	(69)	(138)	(620)	(865)	(1,636)	(3,328)
Discounted bills with recourse	5.95%	(663,934)	(1,664,023)	—	—	—	(2,327,957)
Unsecured borrowings	3.53%-6.73%	—	—	(1,910,951)	—	—	(1,910,951)
Convertible bonds	2.11%	—	—	—	(98,299)	—	(98,299)
		(1,461,429)	(2,020,618)	(1,911,571)	(99,164)	(1,636)	(5,494,418)

41.3 Fair Value

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

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- 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;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Other than the convertible bonds, the fair value of financial assets and financial liabilites are approximate to their carrying amounts.

42. Unsecured Borrowings

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**99,093**	48,355	**—**	—
Bank loans	**3,208,999**	4,105,693	**1,519,776**	1,910,951
Bank borrowings	**3,308,092**	4,154,048	**1,519,776**	1,910,951
Fixed interest rate notes (Note)	**2,652,463**	2,652,930	**—**	-
Total borrowings	**5,960,555**	6,806,978	**1,519,776**	1,910,951

The borrowings of the Group and the Company are repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed rate				
In more than one year but not more than two years	**191,275**	—	**—**	—
In more than two years but not more than five years	**1,303,886**	577,042	**—**	—
More than five years	**1,157,302**	2,075,888	**—**	—
Floating rate				
On demand or within one year	**3,089,852**	2,566,503	**1,325,276**	1,910,951
In more than one year but not more than two years	**83,735**	1,573,835	**77,800**	—
In more than two years but not more than five years	**134,505**	13,710	**116,700**	—
	5,960,555	6,806,978	**1,519,776**	1,910,951
Less: Amount due within one year shown under current liabilities	**(3,089,852)**	(2,566,503)	**(1,325,276)**	(1,910,951)
Amount due after one year	**2,870,703**	4,240,475	**194,500**	—

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 rate:		
Fixed-rate borrowings	**5.09% to 6.44%**	4.09% to 5.44%
Variable-rate borrowings	**0.85% to 7.59%**	3.53% to 6.73%

42. Unsecured Borrowings *(continued)*

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

	HK$ '000	RMB '000	AU$ '000	NZ$ '000	EURO '000	GBP '000
As at December 31, 2008	**2,661,389**	**117,137**	**—**	**3,000**	**7,006**	**2,100**
As at December 31, 2007	3,568,817	29,218	4,000	3,500	6,000	—

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US$145,000,000. The notes were issued in two fixed rate tranches, being US$120,000,000 for 10 years at 5.70% per annum and US$25,000,000 for 7 years at 5.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US$200,000,000. The notes were issued in two fixed rate tranches of US$150,000,000 for 10 years at 6.44% per annum and US$50,000,000 for 7 years at 6.17% per annum. The proceeds were used to finance the acquisition of subsidiaries.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

43. Convertible Bonds

In July, 2004, the Group issued a 5-year zero coupon convertible bonds at par, due in July, 2009 (the "Bonds"), for an aggregate principal amount of US$140,000,000 (approximately HK$1,092,000,000). The Bonds are convertible, at the option of bondholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price of US$2.1247 per share, subject to anti-dilutive adjustment, at any time from August 7, 2006 to July 1, 2009. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Bonds at 107.76% of the principal amount on the maturity date of July 8, 2009.

The Bonds contain two components, a liability and an equity element. The equity element is presented in equity as "Convertible bonds equity reserve". The effective interest rate of the liability component is 2.11%.

On July 8, 2007, the bondholders early redeemed part of the Bonds with a principal amount of US$127,850,000 (approximately HK$997,230,000) at 104.59%. The early redemption gave rise to a debt extinguishment gain of HK$28,837,000 (Note 9).

43. Convertible Bonds *(continued)*

The movement of the liability component of the Bonds for the year is set out below:

	The Group and The Company	
	2008	2007
	HK$'000	HK$'000
Liability component at the beginning of the year	**98,299**	1,105,834
Effective interest expense	**2,506**	14,385
Repayment	**—**	(1,021,920)
Liability component at the end of the year	**100,805**	98,299

The fair value of the liability component of the Bonds at December 31, 2008, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate at the balance sheet date, was approximately HK$100,822,000 (2007: HK$96,151,000).

44. Share Capital

	2008 Number of shares	2007 Number of shares	**2008 HK$'000**	2007 HK$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**240,000**	240,000
Issued and fully paid:				
Shares of HK$0.10 each at January 1	**1,501,252,152**	1,465,223,652	**150,125**	146,522
Repurchase of shares	**—**	(4,358,500)	**—**	(436)
Issued on exercise of share options	**—**	40,387,000	**—**	4,039
Shares of HK$0.10 each at December 31	**1,501,252,152**	1,501,252,152	**150,125**	150,125

Details of the share options are set out in Note 51.

45. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
The Company						
At January 1, 2007	2,754,849	—	26,334	13,794	2,596,958	5,391,935
Shares issued at premium	143,797	—	—	—	—	143,797
Repurchase of shares	—	436	—	—	(35,175)	(34,739)
Effect of early redemption of convertible bonds	-—	—	(49,920)	—	—	(49,920)
Release of deferred tax liabilities on early redemption of convertible bonds	—	—	5,101	—	—	5,101
Transfer to retained profits upon early redemption of convertible bonds	—	—	20,770	—	(20,770)	—
Recognition of equity-settled share-based payment	—	—	—	16,155	—	16,155
Share options lapsed	—	—	—	(2,152)	2,152	—
Profit for the year	—	—	—	—	593,795	593,795
Final dividend - 2006	—	—	—	—	(189,636)	(189,636)
Interim dividend - 2007	—	—	—	—	(97,865)	(97,865)
At December 31, 2007	2,898,646	436	2,285	27,797	2,849,459	5,778,623
Recognition of equity-settled share-based payment	—	—	—	21,460	—	21,460
Share options lapsed	—	—	—	(6,868)	6,868	—
Profit for the year	—	—	—	—	242,100	242,100
Final dividend - 2007	—	—	—	—	(22,519)	(22,519)
Interim dividend - 2008	—	—	—	—	(45,037)	(45,037)
At December 31, 2008	**2,898,646**	**436**	**2,285**	**42,389**	**3,030,871**	**5,974,627**

As at December 31, 2008, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$3,030,871,000 (2007: HK$2,849,459,000).

46. Retirement Benefits Obligations

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance since December, 2000.

The Group's overseas subsidiaries operate a number of defined contribution schemes and defined benefit schemes which cover substantially all of their employees. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

Defined Benefit Plans:

	2008 HK$'000	2007 HK$'000
Pension plan obligations (Note i)	**599,682**	688,271
Post-retirement, medical and dental plan obligations (Note ii)	**65,213**	143,018
Post-employment benefit plan obligations (Note iii)	**95,185**	134,281
Others	**8,156**	14,958
	768,236	980,528

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. Under the plan, the employees are entitled to retirement benefits varying between 10 and 20 per cent of final salary on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out on December 18, 2008 by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement, medical and dental plan obligations

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the USA, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 17, 2008 by Willis North America, Inc.

Note iii: Post-employment plan obligations

The pension plan obligations are provided for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on December 31, 2008 by CBIZ Benefits & Insurance Services.

The main actuarial assumptions used were as follows:

	Pension plan		Post-retirement medical and dental plan		Post-employment benefit plan	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Discount rate	**5.25%**	5.25%	**5.50%**	5.80%	**6.00%**	6.00%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**3.00%**	3.00%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**4.00%**	4.00%
Medical cost inflation (ultimate)	**N/A**	N/A	**5.00%**	5.00%	**N/A**	N/A

46. Retirement Benefits Obligations *(continued)*

Amounts recognised in profit or loss in respect of the plans are as follows:

	Pension plan		Post-retirement medical, and dental plan		Post-employment benefit plan		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Current service cost	**8,668**	7,447	**960**	3,956	**9,984**	8,581	**19,612**	19,984
Actuarial gain	**(70,747)**	(63,002)	**(8,046)**	(1,258)	**(6,139)**	—	**(84,932)**	(64,260)
Curtailment gain	**—**	—	**(61,944)**	—	**(42,670)**	—	**(104,614)**	—
Interest cost	**35,440**	28,657	**3,784**	6,636	**7,786**	17,613	**47,010**	52,906
Past service cost	**—**	—	**—**	—	**1,080**	—	**1,080**	—
	(26,639)	(26,898)	**(65,246)**	9,334	**(29,959)**	26,194	**(121,844)**	8,630

The charge for the year has been included in staff costs.

The amount included in the balance sheet arising from the Group's obligation in respect of the plans is as follows:

	Pension plan		Post-retirement medical, and dental plan		Post-employment benefit plan	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Present value of unfunded obligations	**599,682**	688,271	**65,213**	143,018	**95,185**	134,281

Movements in the present value of the defined benefit obligations in the current year were as follows:

	Pension plan		Post-retirement medical, and dental plan		Post-employment benefit plan	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At January 1	**688,271**	672,117	**143,019**	146,965	**134,281**	—
Net liabilities acquired on acquisition of subsidiaries	**—**	—	**—**	—	**—**	108,146
Exchange differences	**(25,140)**	77,122	**(266)**	410	**(291)**	(59)
Current service cost	**8,668**	7,447	**960**	3,955	**9,984**	8,581
Actuarial gain	**(70,747)**	(63,002)	**(8,046)**	(1,258)	**(6,139)**	—
Curtailment gain	**—**	—	**(61,944)**	—	**(42,670)**	—
Interest cost	**35,440**	28,657	**3,784**	6,636	**7,786**	17,613
Past service cost	**—**	—	**—**	—	**1,080**	—
Benefits paid	**(36,810)**	(34,070)	**(12,294)**	(13,690)	**(8,846)**	—
At December 31	**599,682**	688,271	**65,213**	143,018	**95,185**	134,281

46. Retirement Benefits Obligations *(continued)*

One World Technologies, Inc., a subsidiary of the Group in the USA operates another defined benefit scheme. The pension costs of this defined benefit scheme are assessed in accordance with an actuarial valuation as at January 27, 2009 performed by Aon Consulting, an employee benefits consulting group, using the Projected Unit Credit method. No medical trend rate assumption is necessary as at December 31, 2008 and 2007 since all retirees are assumed to be affected by the fixed dollar subsidy and a discount rate of 6.25% (2007: 5.80%) was assumed for calculating the actuarial valuation.

There are no assets set aside for these benefits and the plan is funded on a pay-as-you-go basis. The accrued benefit costs under this scheme are to be reimbursed by a former shareholder of the overseas subsidiary in accordance with an assignment assumption, reimbursement and indemnification agreement. As such, the overseas subsidiary has set up a receivable and an accrued benefit cost of the same amount of approximately HK$20,674,000 (2007: HK$21,455,000) as at December 31, 2008.

47. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation HK$'000	Warranty provision HK$'000	Convertible bonds equity reserve HK$'000	Employee related provision HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
The Group							
At January 1, 2007	(81,423)	101,534	(5,586)	156,598	195,563	(158,659)	208,027
Currency realignment	(1,193)	566	—	9,109	9,737	2,039	20,258
Credit to equity	—	—	5,101	—	—	—	5,101
Acquisition of subsidiaries	(250,171)	225,872	—	—	2,642	(6,082)	(27,739)
(Charge) credit to income for the year	283,410	(232,168)	—	(49,047)	(11,385)	45,848	36,658
At December 31, 2007	**(49,377)**	**95,804**	**(485)**	**116,660**	**196,557**	**(116,854)**	**242,305**
Currency realignment	**227**	**(1,158)**	**—**	**(2,278)**	**(34,969)**	**462**	**(37,716)**
Credit to equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**
(Charge) credit to income for the year	**22,129**	**(51,865)**	**—**	**(64,701)**	**179,108**	**(72,270)**	**12,401**
At December 31, 2008	**(27,021)**	**42,781**	**(485)**	**49,681**	**340,696**	**(188,662)**	**216,990**

47. Deferred Tax Assets (Liabilities) *(continued)*

	Accelerated tax depreciation HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
The Company			
At January 1, 2007	(9,908)	(5,586)	(15,494)
Credit to equity	—	5,101	5,101
Credit to income for the year	275	—	275
At December 31, 2007	(9,633)	(485)	(10,118)
Charge to income for the year	(3,108)	—	(3,108)
At December 31, 2008	**(12,741)**	**(485)**	**(13,226)**

Note: Included in others are the deferred tax impact on restructuring provision, intellectual properties, inventories and other temporary differences.

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group		The Company	
	2008	2007	**2008**	2007
Deferred tax assets	**637,361**	762,907	**—**	—
Deferred tax liabilities	**(420,371)**	(520,602)	**(13,226)**	(10,118)
	216,990	242,305	**(13,226)**	(10,118)

At the balance sheet date, the Group has unused tax losses of HK$1,196 million (2007: HK$1,268 million) available for the offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses of HK$173 million (2007: HK$76 million) due to the unpredictability of future profit streams.

The utilisation of the deferred tax assets of certain subsidiaries amounting to HK$194,946,000 (2007: HK$43,602,000) is dependent on future taxable profits in excess of the profit arising from the reversal of existing taxable temporary differences, and the abovesaid subsidiaries have suffered a loss in either the current or proceeding period in the tax jurisdiction to which the deferred tax asset relates.

Management believe future taxable income will be sufficient to realize the full value of net deferred tax assets.

48. Major Non-Cash Transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK$53,169,000 (2007: HK$3,714,000).

In addition, a finance lease with a carrying value of HK$108,256,000 (2007: nil) was early terminated during the year.

49. Lease Commitments

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases, which would fall due as follows:

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Within one year	**192,225**	235,599	**9,842**	12,167
In the second to fifth year inclusive	**324,632**	428,829	**7,502**	4,582
After five years	**221,244**	193,491	**17,822**	17,510
	738,101	857,919	**35,166**	34,259

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 10 years.

50. Contingent Liabilities

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**31,659**	30,865	**31,659**	30,865

In addition, the Company has given guarantees to banks and independent third parties in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at December 31, 2008 amounted to HK$5,450,212,000 (2007: HK$5,623,697,000).

51. Share Options

Scheme adopted on March 28, 2002 ("Scheme C") and terminated on March 27, 2007

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors); or

(iii) suppliers or customers; or

(iv) any person or entity that provides research, development or other technological support; or

(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting condition, from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

51. Share Options *(continued)*

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors or officer); or

(iii) secondees; or

(iv) business partner, agent, consultant; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting condition, from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

51. Share Options *(continued)*

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

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 - 24.2.2009
Dr Roy Chi Ping Chung JP	19.9.2003	Scheme C	560,000	—	—	(560,000)	—	8.685	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 - 24.2.2009
Mr Joseph Galli Jr	1.11.2006	Scheme C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006 - 31.10.2011
	6.3.2007	Scheme C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007 - 5.3.2012
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.525	1.3.2004 - 28.2.2009
Mr Chi Chung Chan	17.7.2003	Scheme C	1,000,000	—	—	(1,000,000)	—	7.625	17.7.2003 - 16.7.2008
	19.9.2003	Scheme C	500,000	—	—	(500,000)	—	8.685	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.170	25.2.2004 - 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	—	500,000	12.525	1.3.2004 - 28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000	—	—	—	100,000	12.525	1.3.2004 - 28.2.2009
Mr Joel Arthur Schleicher	17.7.2003	Scheme C	200,000	—	—	(200,000)	—	7.625	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 - 24.2.2009
Mr Christopher Patrick Langley OBE	17.7.2003	Scheme C	100,000	—	—	(100,000)	—	7.625	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 - 24.2.2009
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 - 6.2.2010
Total for directors			**8,560,000**	**—**	**—**	**(2,360,000)**	**6,200,000**		

51. Share Options *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	17.7.2003	Scheme C	2,606,000	—	—	(2,606,000)	—	7.625	17.7.2003 - 16.7.2008
	19.9.2003	Scheme C	204,000	—	—	(204,000)	—	8.685	19.9.2003 - 18.9.2008
	1.3.2004	Scheme C	5,084,000	—	—	(904,000)	4,180,000	12.525	1.3.2004 - 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	—	200,000	12.950	14.4.2004 - 13.4.2009
	5.5.2004	Scheme C	100,000	—	—	(100,000)	—	11.050	5.5.2004 - 4.5.2009
	7.6.2004	Scheme C	200,000	—	—	—	200,000	12.000	7.6.2004 - 6.6.2009
	2.10.2004	Scheme C	1,000,000	—	—	—	1,000,000	15.350	2.10.2004 - 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	—	250,000	15.710	13.12.2004 - 12.12.2009
	7.2.2005	Scheme C	100,000	—	—	(100,000)	—	17.750	7.2.2005 - 6.2.2010
	7.4.2005	Scheme C	200,000	—	—	—	200,000	17.210	7.4.2005 - 6.4.2010
	27.4.2005	Scheme C	25,000	—	—	(25,000)	—	17.660	27.4.2005 - 26.4.2010
	1.6.2005	Scheme C	20,000	—	—	(20,000)	—	17.420	1.6.2005 - 31.5.2010
	17.6.2005	Scheme C	250,000	—	—	—	250,000	17.950	17.6.2005 - 16.6.2010
	27.6.2005	Scheme C	500,000	—	—	(500,000)	—	19.200	27.6.2005 - 26.6.2010
	1.1.2006	Scheme C	300,000	—	—	—	300,000	18.690	1.1.2006 - 31.12.2010
	1.3.2006	Scheme C	3,277,000	—	—	(887,000)	2,390,000	13.970	1.3.2006 - 28.2.2011
	25.4.2006	Scheme C	20,000	—	—	(20,000)	—	13.700	25.4.2006 - 24.4.2011
	15.6.2006	Scheme C	200,000	—	—	—	200,000	10.270	15.6.2006 - 14.6.2011
	17.6.2006	Scheme C	350,000	—	—	—	350,000	10.550	17.6.2006 - 16.6.2011
	3.7.2006	Scheme C	25,000	—	—	(25,000)	—	10.700	3.7.2006 - 2.7.2011
	4.10.2006	Scheme C	75,000	—	—	—	75,000	11.628	4.10.2006 - 3.10.2011
	3.11.2006	Scheme C	100,000	—	—	(100,000)	—	11.480	3.11.2006 - 2.11.2011
	8.11.2006	Scheme C	30,000	—	—	—	30,000	12.200	8.11.2006 - 7.11.2011
	4.12.2006	Scheme C	150,000	—	—	—	150,000	10.952	4.12.2006 - 3.12.2011
	13.12.2006	Scheme C	20,000	—	—	—	20,000	10.560	13.12.2006 - 12.12.2011
	1.1.2007	Scheme C	150,000	—	—	—	150,000	10.080	1.1.2007 - 31.12.2011
	6.3.2007	Scheme C	6,330,000	—	—	(860,000)	5,470,000	10.572	6.3.2007 - 5.3.2012
	20.7.2007	Scheme D	300,000	—	—	—	300,000	10.060	20.7.2007 - 19.7.2012
	24.8.2007	Scheme D	2,710,000	—	—	(200,000)	2,510,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	Scheme D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	Scheme D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	23.11.2007	Scheme D	500,000	—	—	—	500,000	7.578	23.11.2007 - 22.11.2017
	14.1.2008	Scheme D	—	2,035,000	—	(165,000)	1,870,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	Scheme D	—	2,225,000	—	(75,000)	2,150,000	7.780	17.4.2008 - 16.4.2018
	24.4.2008	Scheme D	—	100,000	—	(100,000)	—	7.818	24.4.2008 - 23.4.2018
	14.5.2008	Scheme D	—	240,000	—	—	240,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	Scheme D	—	640,000	—	—	640,000	7.546	30.5.2008 - 29.5.2018
	1.9.2008	Scheme D	—	150,000	—	—	150,000	7.450	1.9.2008 - 31.8.2018
	2.9.2008	Scheme D	—	300,000	—	—	300,000	7.388	2.9.2009 - 1.9.2018
	11.9.2008	Scheme D	—	50,000	—	—	50,000	7.430	11.9.2008 - 10.9.2018
	2.10.2008	Scheme D	—	225,000	—	(150,000)	75,000	7.068	2.10.2008 - 1.10.2018
	1.12.2008	Scheme D	—	100,000	—	—	100,000	2.340	1.12.2008 - 30.11.2018
Total for employees			**25,391,000**	**6,065,000**	**—**	**(7,041,000)**	**24,415,000**		
Total for all categories			**33,951,000**	**6,065,000**	**—**	**(9,401,000)**	**30,615,000**		

51. Share Options *(continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at 1.1.2008	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at 12.31.2008
Scheme C	**30,326,000**	**—**	**—**	**(8,711,000)**	**21,615,000**
Scheme D	**3,625,000**	**6,065,000**	**—**	**(690,000)**	**9,000,000**
	33,951,000	**6,065,000**	**—**	**(9,401,000)**	**30,615,000**

Option type	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at 12.31.2007
Scheme C	65,081,000	7,610,000	(40,387,000)	(1,978,000)	30,326,000
Scheme D	—	3,655,000	—	(30,000)	3,625,000
	65,081,000	11,265,000	(40,387,000)	(2,008,000)	33,951,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Reclassification	Outstanding at December 31
2008	**8,560,000**	**—**	**—**	**(2,360,000)**	**—**	**6,200,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Reclassification	Outstanding at December 31
2007	45,212,000	—	(39,152,000)	—	2,500,000*	8,560,000

The weighted average closing price of the Company's shares immediately before various dates during 2007 on which the share options were exercised was HK$10.98.

* Mr Joseph Galli Jr has been appointed as a Group Executive Director of the Company since February 2008. The 2,500,000 share options held by him was classified under the category of "Employees" previously.

51. Share Options *(continued)*

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 2008					
14.1.2008	**7.566**	**3 years**	**35%**	**2.082%**	**1.5%**
17.4.2008	**7.780**	**3 years**	**35%**	**1.731%**	**1.5%**
24.4.2008	**7.818**	**3 years**	**35%**	**1.888%**	**1.5%**
14.5.2008	**7.500**	**3 years**	**35%**	**2.248%**	**1.5%**
30.5.2008	**7.546**	**3 years**	**35%**	**2.447%**	**1.5%**
1.9.2008	**7.450**	**3 years**	**35%**	**2.378%**	**1.5%**
2.9.2008	**7.388**	**3 years**	**35%**	**2.409%**	**1.5%**
11.9.2008	**7.430**	**3 years**	**35%**	**2.203%**	**1.5%**
2.10.2008	**7.068**	**3 years**	**35%**	**2.055%**	**1.5%**
1.12.2008	**2.340**	**3 years**	**35%**	**1.028%**	**1.5%**
For the year ended December 31, 2007					
1.1.2007	10.080	3 years	35%	3.595%	1.5%
6.3.2007	10.572	3 years	35%	4.014%	1.5%
20.7.2007	10.060	3 years	35%	4.415%	1.5%
24.8.2007	8.390	3 years	35%	4.069%	1.5%
16.10.2007	8.810	3 years	35%	3.925%	1.5%
7.11.2007	8.088	3 years	35%	2.704%	1.5%
23.11.2007	7.578	3 years	35%	2.460%	1.5%

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing price of the Company's shares on various dates of grant was HK$7.48 (2007: HK$9.71) per option.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. 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 Group recognised a total expense of HK$21,460,000 for the year ended December 31, 2008 (2007: HK$16,155,000) in relation to share options granted by the Company.

The fair values of the share options granted in the current year measured as at various dates of grant ranged from HK$0.52 to HK$1.79 (2007: ranged from HK$1.56 to HK$2.61) per option. The weighted average fair value of the share options granted in the current year was HK$1.75 (2007: HK$2.41) per option.

The share options are vested and exercisable in whole or in part trenches within 3 years.

52. Capital Commitments

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Capital expenditure in respect of the purchase of property, plant and equipment and licence:				
Contracted for but not provided	**242,739**	320,180	**29,002**	19,974
Authorised but not contracted for	**16,076**	71,165	**—**	—

53. Related Party Transactions

During the year, the Group entered into the following transactions with associates:

	2008 HK$'000	2007 HK$'000
Management fee income	**—**	470
Management fee expenses	**275**	743
Interest income received	**—**	10,163
Sales income	**491**	352
Equipment charge income	**1,886**	2,166

The remuneration of directors and other members of key management during the year was as follows:

	2008 HK$'000	2007 HK$'000
Short-term benefits	**148,826**	134,659
Post-employment benefits	**1,130**	1,357
Termination benefits	**—**	1,137
Share-based payments	**608**	7,395
	150,564	144,548

Details of the balances with related parties are set out in the consolidated balance sheet, balance sheet and Notes 22, 23, 28, 29 and 36.

54. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2008 and December 31, 2007 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
A&M Industries S.à.r.l.	Luxembourg	EUR 412,500	—	100	Investment holding
AEG & Milwaukee Elektrowerkzeuge GmbH (formerly known as A&M Elektrowerkzeuge GmbH)	Germany	EUR 25,600	—	100	Trading of electric power equipment products
AEG Electric Tools GmbH	Germany	EUR 20,451,675	—	100	Trading and manufacture of power equipment products
Baja, Inc.	USA	USD 17.36	—	75	Trading of outdoor power equipment products
Digiwireless Limited	Hong Kong	HKD 2	100	—	Investment holding
DreBo Werkzeugfabrik GmbH	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Asia (Dongguan) Company Limited	PRC	USD 28,000,000	—	100	Manufacture of outdoor power equipment products
Homelite Asia Limited	British Virgin Islands ("BVI")	USD 1	—	100	Investment holding
Homelite Consumer Products, Inc.	USA	USD 10	—	100	Trading of outdoor power equipment products
Homelite Far East Company Limited	Hong Kong	HKD 2	100	—	Trading of outdoor power equipment products
Homelite Technologies, Ltd.	Bermuda	USD 12,000	100	—	Investment holding
Hoover Inc.	USA	USD 1	—	100	Trading and manufacture of floor care products
MacEwen Property Co., Inc.	USA	USD 100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HKD 100,000	100	—	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	USA	USD 50,000,000	—	100	Trading and manufacture of power equipment products

54. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
One World Technologies S.à.r.l.	Luxembourg	EUR 1,378,300	—	100	Investment holding
One World Technologies, Inc.	USA	USD 10	—	100	Investment holding
OWT France S.A.S.	France	EUR 1,750,000	—	100	Investment holding
OWT Industries, Inc.	USA	USD 10	—	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of household electronic and electrical products
Royal Appliance Mfg. Co.	USA	USD 1	—	100	Trading and manufacture of floor care products
RYOBI Technologies GmbH	Germany	EUR 500,000	100	—	Trading of electric power vequipment products
Ryobi Technologies France SA	France	EUR 14,919,832	—	100	Trading of electric power equipment products
Ryobi Technologies (UK) Ltd	United Kingdom	GBP 4,000,000	—	100	Trading of electric power equipment products
Sang Tech Industries Limited	Hong Kong	HKD 1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HKD 2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HKD 2,000,000	75.725	—	Manufacture of electronic products
Techtronic Industries South Africa Company (Pty) Limited (formerly known as Startel Tools and Electronics Company(Pty) Ltd)	South Africa	ZAR 100	60	—	Trading of electric power equipment products
Techpower Engineering Company Limited	Hong Kong	HKD 2	100	—	Manufacture of components
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HKD 2	50	50	Trading and manufacture of floor care products

54. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Appliances International Ltd.	BVI	USD 1	—	100	Investment holding
Techtronic Industries Australia Pty. Limited	Australia	AUD 5,500,000	100	—	Trading of electric power equipment products
Techtronic Industries (Dongguan) Co. Ltd.	PRC	USD 13,700,000	—	100	Manufacture of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of electric power equipment products and outdoor power equipment products
Techtronic Industries Germany Holding GmbH	Germany	EUR 25,000	—	100	Investment Holding
Techtronic Industries N.Z. Limited	New Zealand	NZD 1,165,500	100	—	Trading of electric power equipment products
Techtronic Industries North America, Inc.	USA	USD 10	98.4	1.6	Investment holding
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NT$5,000,000	100	—	Provision of inspection services
TTI Investments (Dongguan) Company Limited	Hong Kong	HKD 2	100	—	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	AUD 1,200,008	100	—	Assembly and distribution of floor care products
Vax Limited	United Kingdom	GBP 32,500	100	—	Assembly, procurement and distribution of floor care products

* Subsidiaries which were established during 2008.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

55. Particulars of Associates

Particulars of the associates as at December 31, 2008 and December 31, 2007 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Principal activities
Gimelli International (Holdings) Limited	The Cayman Islands	US$6,250	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	US$12,000,000	25.0	Manufacture of power equipment products

56. Presentation and Functional Currencies

The functional currency of the Company is United States dollars. The presentation currency of the Group is Hong Kong dollars as the Company is a public limited company incorporated in Hong Kong. The financial statements include the consolidated income statement, consolidated balance sheet and consolidated cashflow statement which are presented in the functional currency of the Company for reference only which have been arrived at based on the fixed exchange rate of HK$7.8 to US$1.0.

Financial Summary

Results

	Year ended December 31,				
	2004 HK$'000 (As restated)	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Turnover	16,304,140	22,358,387	21,822,597	24,774,987	**26,615,319**
Profit before restructuring and relocation costs, share of results of associates, goodwill impairment and taxation	1,076,344	1,223,344	1,263,981	912,460	**950,712**
Restructuring and relocation costs	—	—	—	(743,018)	**(717,971)**
Goodwill impairment	—	—	—	—	**(78,000)**
Share of results of associates	(845)	(6,463)	(895)	(270)	**(3,077)**
Profit before taxation	1,075,499	1,216,881	1,263,086	169,172	**151,664**
Taxation (charge) credit	(108,829)	(157,714)	(184,017)	(38,999)	**40,171**
Profit for the year	966,670	1,059,167	1,079,069	130,173	**191,835**
Attributable to:					
Equity holders of the parent	926,356	1,018,984	1,071,864	125,257	**174,807**
Minority interests	40,314	40,183	7,205	4,916	**17,028**
Profit for the year	966,670	1,059,167	1,079,069	130,173	**191,835**
Basic earnings per share	69.28 cents	73.53 cents	73.18 cents	8.41 cents	**11.64 cents**

Assets and Liabilities

	Year ended December 31,				
	2004 HK$'000 (As restated)	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	13,903,324	20,374,741	21,320,301	24,969,446	**21,789,047**
Total liabilities	10,367,476	14,141,732	14,242,326	17,958,018	**14,841,609**
	3,535,848	6,233,009	7,077,975	7,011,428	**6,947,438**
Equity attributable to equity holders of the parent	3,453,816	6,112,339	6,996,530	6,920,125	**6,839,135**
Minority interests	82,032	120,670	81,445	91,303	**108,303**
	3,535,848	6,233,009	7,077,975	7,011,428	**6,947,438**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Dr Roy Chi Ping Chung JP
Group Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

Financial Calendar 2009

April 22:	Announcement of 2008 annual results
May 22:	Last day to register for 2008 final dividend
May 25-27:	Book closure period
May 27:	Annual General Meeting
June 30:	Six months interim period end
July 31:	Final dividend payment
December 31:	Financial year end

Investor Relations Contact

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Website

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Earnings results, annual/interim reports are available online.

List Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (stock code: 669)
Zero Coupon Convertible Bonds 2009 (code: 2591)
ADR Level 1 Programme (symbol: TTNDY)

Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Citibank N.A.
Standard Chartered Bank
Hang Seng Bank Ltd.

Solicitors

Vincent T K Cheung Yap & Co

Auditors

Deloitte Touche Tohmatsu

Company Secretary

Mr Frank Chi Chung Chan

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