旺城國際
WANG SING INTERNATIONAL
控股集團有限公司 HOLDINGS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2389)

Annual Report 2009

CONTENT

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual results of Wang Sing International Holdings Group Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2009.

For the year under review, the Group's turnover was HK$104,963,000 (2008: HK$186,331,000) and loss attributable to shareholders was HK$45,930,000 (2008: HK$77,463,000), the loss per share was HK4.3 cents (2008: HK11.8 cents). The loss for the year has been substantially reduced, our consolidation work done last year has been successful and we managed to reduce further the loss making power tool business. At the same time our property developing business is expanding and we expect that business to gradually contribute to the Group's future success.

Our power tool business is a pure export business which has been quite difficult over the last few years due to the increasing materials and labour cost, unsatisfactory market conditions in Europe and the US etc. On the other hand China is in the mist of rapid development and demand for quality housings is tremendous.

The construction of the land in Minhing District, Shanghai is underway and we expect to presale part of the properties near the end of this year. In addition to selling all of the properties the Group is also considering renting part of the properties to receive rental income.

Early this year the group has won an open tender for another piece of land in Jiangsu Province for RMB445,480,000. This piece of land will also be developed into residential properties over the next 3 years. This project is jointly developed with Shanghai Lankai Property Development Company Limited with the Company holding 70% of the interest. This acquisition has been approved by the shareholders on 15 April 2010. We believe the acquisition cost of this piece of land is comparatively cheap giving the current market conditions and this project is going to contribute significantly to the Group's future revenue.

With these two property development projects on hand the Group will be able to generate a steady and significant income over the next few years. We will continue to look for opportunities to expand our property reserve over the years as well.

The exporting market for power tool is still sluggish and we are in the process of developing more high end products for the market. Loss making products and markets were gradually reduced last year. Our Nanjing office was closed last year and the key personnel have either been relocated to the factory at Haian or the new central office at Shanghai.

Looking forward we believe the most difficult year has been past and the Group will be in a new era following an increase in importance of the property developing business, we also expect the increase of revenue from the power tool business this year due to new products being launched and refocusing with key customers. We are very confident that our financials will continue to improve over the next few years and be able to generate satisfactory return to our stakeholders.

We also proposed to change the company name to Genvon Group Limited in order that a fresh corporate image and outlook can be shown to the public, and to communicate with the public that the Group's strategy to diversify the existing power tool business into property developing business. An extraordinary shareholders meeting will be held to approve the change of name in due course.

I also take this opportunity to express my gratitude towards my fellow directors and staff, who have work hard and dedicated themselves towards meeting the company's goals and objectives. I also welcome Mr. Cheung Man, whom joined our board last year as an executive director.

Wang Zheng Chun
Chairman

Hong Kong, 22 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Property development

The PRC economy has grown significantly since the PRC Government introduced reforms in the late 1970's, and its accession to the World Trade Organisation in 2001 has further accelerated the reform of the PRC economy. Over the years there has been tremendous economic growth, increase in disposable income and the increase in urbanization, these factors support a sustaining growth of the property market in China.

In line with the growth in the economy and population of the Jiangsu Province, housing demand in Jiangsu Province experienced an upward trend in recent years. Similarly the property market in Shanghai still experiences a strong demand with price maintaining at high level. Although the central government has put forward a number of measures aim at controlling the rapid growth of the property market, we did not see any major adjustment in the market price or any significant decrease in the market.

Power, air and hand tools

In 2009, a number of measures introduced by the PRC government were proved to be effective and successful, as noted from an incipient recovery in the domestic economy, and a stable economic growth. However, the domestic raw material prices have kept rising since last year. In particular, copper prices rose by more than 100%, while prices for aluminum, steel, plastic and other materials increased by over 20%. Given increasingly furious market competition, businesses were placed under gross margin pressures. These factors have exposed the manufacturing industry which focused on the main business of power tools to greater challenges in 2009.

During the year under review, the exports of domestic power tools were weighed down by the slowdown in the economic recovery outside the PRC, especially in leading markets including Europe, North America, Asia and Australia. The situation was particularly noticeable in Europe.

As people in European and American countries are enthusiastic about DIY, and the economic environment there is recovering gradually, both the Europe and North America will be the main engines for driving the growth of the exports of the power tools for a long period of time. In addition, the professional tool users still accounted for over 60% of the overall power tools market in 2009. As professional power tools are of higher grade and added value, it is expected that professional power tools will continue to secure majority market share of the power tools business in 2010.

BUSINESS REVIEW

Property development

The development of the Shanghai property project is progressing smoothly and the southern portion shall be ready for pre-sale by the third quarter this year and construction work to complete in 2011. In respect of the northern portion pre-sale is expected to start in the fourth quarter this year.

On January 2010, a subsidiary of the Company won an open tender to acquire the land use right of a land in Jiangzu province for RMB445,480,000. The Company has set up a joint venture company with a Shanghai property developer in which the Company owns 70%, to jointly develop this project. For details of this acquisition please refer to the circular dated 27 March 2010. On 15 April 2010, the acquisition was approved by the shareholders of the Company.

Power, air and hand tools

The Group exercised more mature operational management in 2009 when compared with previous years, thus laying a solid foundation for future development. During the review period, the domestic economy was gradually picking up, but the economic growth outside the PRC was relatively slow. In view that domestic raw material prices continued to rise, the overall product costs of the manufacturing industry were increasing. During the year under review, the Group took active and effective measures to adjust the enterprise development strategies in order to maintain a stable development of the Group.

In 2009, the Group's turnover and loss attributable to shareholders were approximately HK$104,963,000 and HK$45,930,000. In 2009, power tool business remained the Group's main source of income, while the proportion of other businesses decreased.

During the year under review, the Group reaped more notable success in its market development. The Group has attained initial progress in the aspects of market exploration and balanced development. As such, the Company's business is no longer over-dependent on a single market by gradually achieving a balanced development and enhancing the Company's ability to resist risks. Currently, the Group's corporate customers are expanding. Our main customers include the world famous chain stores and major electrical distributors in Europe and the United States such as BOSCH, SPARKY, KINGFISHER and TTI.

To tap into growing global demand for power tools along with the gradual recovery, during the year under review, the Group fully integrated and enhanced incentive policies of R&D and sales management, in order to step up the lead time and cycle of product launch and marketing by R&D team and key sales personnel, and to extend the influence of our products in the global market. At the same time, the Company focused on advantageous resources by strengthening R&D and marketing efforts on major products, while reducing a small number of lower-margin products. Therefore, we ultimately achieved the desired results for foreign sales during the year under review. Despite of slow recovery in foreign markets, sales growth of major customers of the Company was still relatively encouraging, with a number of projects proceeding to substantial R&D and hence to bulk production.

In 2009, the Group continued to strengthen the internal management systems for its plants and successfully passed management system certificates such as ISO9001: 2008, ISO14001: 2004 and GB/T28001-2001 awarded by CQC. ERP based modules were fully put into practice in the plants of the Group. Thus, the management of our plants was much improved during the year under review.

FINANCIAL REVIEW

Revenue and Profit Analysis

For the year ended 31 December 2009, the Group recorded a revenue of approximately HK$104,963,000, a decrease of 44% as compared to 2008. Loss attributable to shareholders was approximately HK$45,930,000 in 2009 (2008: HK$77,463,000). The decrease in revenue was mainly due to the consolidation of the power tool business while enhance cost control has helped reduce the loss for the year.

Revenue Breakdown by Products and Geographical Locations

In terms of products, power tools were still the major income source for the Group. In 2009, the sales of power tools, air tools and hand tools and other products represented 95%, 2% and 3% of the Group's revenue respectively (2008: power tools 81%, air tools 3% and hand tools and other products 16%).

Geographically, USA was the major market of the Group. In 2009, the revenue proportion for the Group in USA and other markets was 45:55.

Gross Profit and Margin Analysis

For the year ended 31 December 2009, the Group's gross profit decreased from approximately HK$12,756,000 in 2008 to approximately HK$9,940,000. The low level of gross profit was mainly due to the high commodity and raw materials prices over the year.

Liquidity and Gearing Ratio

At 31 December 2009, the Group's cash on hand was HK$35,198,000 (2008: HK$40,821,000). The long term and short term debts of the Group were HK$86,841,000 (2008: HK$153,721,000) in aggregate. The total debts decreased by approximately HK$66,880,000 as compared with the year ended of 2008. As at 31 December 2009, the gearing ratio (total borrowing/equity) was 81% (2008: 597%).

Capital Expenditure

The Group's capital expenditure in 2009 was approximately HK$6.3 million (2008: HK$5.7 million), expenditure for development of mould amounted to HK$0.32 million (2008: HK$3.4 million).

Working Capital Analysis

For the year ended 31 December 2009, the Group's trade debtors' turnover days were 112 days (2008: 120 days). The account payables turnover days were 99 days (2008: 124 days) and the inventory turnover days were 50 days (2008: 27 days).

Capital Structure

During the year, 1,059,940,000 shares were issued as a result of the open offer and 100,000,000 shares were issued as a result of a placement. The total number of issued share capital at 31 December 2009 was 1,689,910,000 shares (2008: 529,970,000 shares).

Pledge of Assets

The Group has pledged its property, plant and equipment with net book values of approximately HK$55,206,000 (2008: HK$58,403,000), prepaid lease payments amounted to approximately HK$24,283,000 (2008: Nil) and properties under development held for sales amounted to approximately HK$236,111,000 (2008: Nil) to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2009, the Group did not have any material contingent liabilities (2008: nil).

Exposure to Foreign Exchange Risks

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

Employee Benefits and Training

For the year ended 31 December 2009, the Group had approximately 540 employees, of which, 40 employees were management staff and 60 employees were engineers and the total staff cost (including directors' emoluments amounted to approximately HK$16,715,000 (2008: HK$19,410,000).

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

OUTLOOK

Riding on the steady development in 2009, the Group will continue to pursue for more promising growth. Looking towards 2010, the Group's priorities will be: to develop real estate development business at full gear through smooth completion; to speed up the expansion of new markets for power tool business; to put more efforts in R&D, to upgrade product quality, and to fortify cooperation with key customers and so on.

The Group's plant will be blessed with new development opportunities in 2010. With the continuous improvement of the quality of plant management, and the full deployment of production capacity, sales volume is expected to grow over the same period of 2009. Leveraging on steadily improving product quality, the Group will organize and participate in a number of large domestic and foreign exhibitions and fairs so as to further enhance the Group's influence.

Looking ahead, the Group will continue to keep itself abreast of new technologies through research and collection of market information, continuous development and incessant innovation. The Group is confident that with profit contributions from the real estate business, constant uplift of the grades of power tool products, coupled with closer collaborations between the Group and world-renowned brands and customers, the Group is well positioned to drastically raise its profitability.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2009.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

BOARD COMPOSITION

The Board currently comprises nine members, consisting of five executive directors, one non-executive director and three independent non-executive directors.

The list of all directors, which also specifies the posts, e.g. of Chairman and/or CEO, and chairman and member of committee(s), held by each director are set out under "Corporate Information" on page 90. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company comprises the following directors:

Executive directors:

Mr. Wang Zheng Chun (Chairman and Chief Executive Officer)
Mr. Zhang Xiu He
Mr. Xu Wen Cong
Mr. Zheng Wei Chong
Mr. Cheung Man

Non-executive director:

Mr. Ho Hao Veng

Independent non-executive directors:

Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

None of the members of the Board is related to one another.

During the year ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. Wang Zheng Chun currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy shall submit himself for re-election by shareholders at the first general meeting after appointment.

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

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board for the appointment or removal of directors.

NOMINATION COMMITTEE

The Nomination Committee comprises four members, namely Mr. Ang Siu Lun, Lawrence (Chairman of the Committee), Mr. Ma Kwai Yuen, Mr. Law Wing Tak, Jack and Mr. Wang Zheng Chun, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes
- To identify suitable candidates for appointment as directors
- To make recommendations to the Board on appointment or re-appointment of and succession planning for directors

The Nomination Committee met once during the year ended 31 December 2009 and the attendance records are set out under "Directors' Attendance Records" on page 12. It reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Articles of Association, Mr. Cheung Man, having been appointed as an executive director of the Company during the year, shall retire and being eligible, offer himself for re-election at the next forthcoming annual general meeting. In addition, Mr. Ho Hao Veng, Mr. Ang Siu Lun, Lawrence and Mr. Ma Kwai Yuen shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 30 April 2010 contains detailed information of the directors standing for re-election.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the executives where necessary.

The senior management of the Company would attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2009, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee during the year ended 31 December 2009 are set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. Wang Zheng Chun	12/12	–	–	–
Mr. Zheng Wei Chong	11/12	–	1/1	–
Mr. Xu Wen Cong	10/12	–	–	–
Mr. Zhang Xiu He	10/12	–	–	–
Mr. Cheung Man	6/6	–	–	–
Non-executive Director				
Mr. Ho Hao Veng	12/12	–	3/3	2/2
Independent Non-executive Directors				
Mr. Ang Siu Lun, Lawrence	10/12	2/2	3/3	2/2
Mr. Ma Kwai Yuen	12/12	2/2	3/3	2/2
Mr. Law Wing Tak, Jack	10/12	2/2	3/3	2/2

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the year ended 31 December 2009.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee comprises five members, namely, Mr. Ho Hao Veng (Chairman of the Committee), Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen, Mr. Law Wing Tak, Jack and Mr. Zheng Wei Chong, the majority of which are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the directors and the senior management for the year under review.

The Remuneration Committee held three meetings during the year ended 31 December 2009 and the attendance records are set out under "Directors' Attendance Records" on page 12.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Company has developed its systems of internal control and risk management.

The key elements of the Group's internal control system include the following:

- A comprehensive financial accounting system to provide for performance measurement indicators and to ensure compliance with relevant rules

- Annual plans prepared by senior management on financial reporting, operations and compliance with reference to potential significant risks

- Appropriate policy to ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget

- Review and evaluation of the control process and monitoring of any risk factors on a regular basis by the management; and report by the same to the Audit Committee on any findings and measures to address the variances and identified risks

The internal audit division is responsible for performing risk-based audits and conducting reviews of the effectiveness of the Group's internal control system.

The main duties of the internal audit division include the following:

- Establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls, and providing for identification and management of risks
- Presenting a risk-based internal audit plan to the Audit Committee for approval
- Reporting to the Audit Committee on any key findings and progress of the internal audit process

Audit Committee

The Audit Committee comprises four independent non-executive directors, namely, Mr. Ma Kwai Yuen (Chairman of the Committee), Mr. Ho Hao Veng, Mr. Ang Siu Lun, Lawrence and Mr. Law Wing Tak, Jack, with independent non-executive directors in majority (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditors before submission to the Board
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures

The Audit Committee oversees the internal control system of the Group, reviews the internal control report submitted by the internal audit division, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2009, the financial reporting and compliance procedures, the report of the internal audit division on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2009 and the attendance records are set out under "Directors' Attendance Records" on page 12.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 28-29.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2009 and 31 December 2008 amounted to HK$1,366,000 and HK$1,778,000 respectively.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are normally available to attend the annual general meeting and other relevant shareholder meetings to answer questions at shareholder meetings.

The 2009 Annual General Meeting ("AGM") was held on 9 June 2009. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

During the year under review, the Company also convened an extraordinary general meeting and at least 10 clear business days' notice was given for that meeting.

The Company continues to enhance communication and relationship with its investors. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its registered office at Suite 4701, 47/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for any enquiries.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Wang Zheng Chun

Mr. Wang Zheng Chun, aged 45, was appointed as an Executive Director of the Group in June 2008. He was re-designated as the Chairman of the Group in October 2008. He has over ten years of experience in property development and management. Mr. Wang has substantial experience in developing and constructing villas, residential units and commercial buildings in the People's Republic of China. Mr. Wang is also the committee member of 上海市閔行區工商業聯合會 (The Association of Industry and Commerce in Minhang District, Shanghai).

Zheng Wei Chong

Mr. Zheng Wei Chong, aged 42, is an Executive Director of the Group. Mr. Zheng holds a bachelor of law degree from the China University of Political Science and Law. Prior to joining the Group in November 2007, Mr. Zheng has more than ten years of management experience in various business sectors. Mr. Zheng is mainly responsible for the Group's legal issue.

Xu Wen Cong

Mr. Xu Wen Cong, aged 41, was appointed as an Executive Director of the Group in October 2008. Mr. Xu is responsible for the property management and development businesses. Mr. Xu graduated from Zhejiang University and has over seventeen years of experience in property construction and installation in the PRC, and he has acquired all-round experience in enterprise management, project planning, property construction and ancillary works. His last employment was the standing vice general manager of a property development company located in Shanghai. Mr. Xu is mainly responsible for the Group's property development business.

Zhang Xiu He

Mr. Zhang Xiu He, aged 41, was appointed as an Executive Director of the Group in October 2008. Mr. Zhang is responsible for the businesses of investment and finance, the enterprise financial management, and supervision of the cashflow position of the Group. Mr. Zhang obtained a Bachelor of Economics and Master of Professional Accountancy in Fushun Petroleum Engineering Management Institute and The Chinese University of Hong Kong, respectively. Mr. Zhang served as a head of finance, chief finance officer and vice general manager of a company listed in Shanghai between the period from July 1999 and April 2005, and has been serving as a director and chief executive officer of an investment management company in Shanghai before joining the Group.

Cheung Man

Mr. Cheung Man, aged 42, was appointed as an Executive Director of the Group in September 2009. Prior to joining the Company, Mr. Cheung has served at senior positions in a number of securities and investment companies. Mr. Cheung has more than seventeen years of the experience in investment banking and is well connected with fund managers in Shanghai and Hong Kong.

NON-EXECUTIVE DIRECTOR

Ho Hao Veng

Mr. Ho Hao Veng, aged 63, was appointed as an Independent Non-executive Director of the Group in April 2002 and was re-designated as a Non-executive Director of the Group in September 2005. Mr. Ho graduated from Queen's University, Ontario, Canada with a Bachelor's degree in Applied Science and he has been a securities dealer since 1975. Mr. Ho has been an executive director of some companies of the Keuntai Group since 1971 and is mainly responsible for the overall management and operations of the fund management sector with a focus on equity markets and international foreign exchange markets, real estate development and property investment sectors. Mr. Ho has also been a director of Tai Fung Bank Limited, Macau since June 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ang Siu Lun, Lawrence

Mr. Ang Siu Lun, Lawrence, aged 49, was appointed as an Independent Non-executive Director of the Group in September 2005. Mr. Ang holds a Bachelor of Science degree in Physics and Computer Science and a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Ang is currently an executive director of Geely Automobile Holdings Limited, a listed public company in Hong Kong. Mr. Ang is also a non-executive director of Manganese Bronze Holdings Plc, a listed public company in UK. Mr. Ang previously worked in a number of major international investment banks for nineteen years with extensive experience in equity research, investment banking and financial analysis.

Ma Kwai Yuen

Mr. Ma Kwai Yuen, aged 57, was appointed as an Independent Non-executive Director in September 2008. Mr. Ma is an executive director of a consulting company in Hong Kong and has over thirty years of professional experience in the accounting and financial management and consulting industries. Mr. Ma also holds a LLM degree from University of Wolverhampton and is a fellow member of The Chartered Institute of Management Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the CPA Australia. Mr. Ma is also an independent non-executive director of China Aoyuan Property Limited and PacMOS Technologies Holdings Limited, which are listed public companies in Hong Kong. Mr. Ma has ceased to be an independent non-executive director of Vision Tech International Holdings Limited and China Shineway Pharmaceutical Group Limited since 11 June 2009 and 17 December 2009 respectively.

Law Wing Tak, Jack

Mr. Law Wing Tak, Jack, aged 56, was appointed as an Independent Non-executive Director of the Group in October 2008. Mr. Law is a graduate of Newcastle University in the United Kingdom with a degree of Bachelor of Arts in Economics and Accounting. Mr. Law is a member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. Mr. Law has been in the corporate finance business for more than twenty years and has held directorships in a number of Hong Kong and the United Kingdom listed companies. His experience covers the areas of banking, credit control, financial management, appraising and implementing investment projects, merger & acquisitions, and corporate finance. Mr. Law is also currently a partner of a firm of chartered accountants in the United Kingdom. Mr. Law is currently the chief executive officer of Ford Eagle Group Limited.

SENIOR MANAGEMENT

Liu Hoi Keung

Mr. Liu Hoi Keung, aged 45, is the Chief Financial Officer of the Group. Mr. Liu received his Master of Science degree from the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Company, he had served as Director and Company Secretary of another listed company in Hong Kong for more than ten years. Mr. Liu also has more than nine years experience working in international accounting firms.

Zhao Fang Yan

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

John Bee

Mr. John Bee, aged 43, was appointed as general manager of Jiangsu Golden Harbour Enterprises Limited in July 2009. Mr. Bee holds a Bachelor of Laws degree from East China University of Political Science and Law, and a Master of Business Administration degree from the University of Washington. Prior to joining the Group, Mr. Bee has over eighteen years of experience in marketing and sales, in which more than 10 years experience as general manager in a well known power tools enterprise.

Wan Ji Ming

Mr. Wan Ji Ming, aged 40, is the Director of Technique Global operation center of the Group and Vice President of Golden Harbour. Mr. Wan is responsible for the technical aspect of the factory and to supervise the design and production of power tool products. Mr. Wan graduated from the Jiangsu Industry College with a Bachelor's degree of mechanical engineering. Mr. Wan has over twelve years of experience in the power tool industry. Mr. Wan is experienced in product design and production management. Mr. Wan is also specialized in bringing local Chinese management philosophy into effective. Mr. Wan joined the Group in December 2001.

Tang Sze Ning

Miss Tang Sze Ning, aged 30, is the Company Secretary of the Group. She is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. She graduated from University of New South Wales, Australia. Prior to joining the Company in 2009, she had five years experience working in international accounting firms.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 30.

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchase attributable to the Group's five largest suppliers is less than 30% of the Group's total purchase for the year.

The largest and the top five customers of the Group accounted for approximately 65.27% and 78.92% respectively of the Group's total revenue for the year.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2009, the Company has no reserves available for distribution.

SHARE CAPITAL

Details of movement during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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:

Executive Directors:

Mr. Wang Zheng Chun *(Chairman and Chief Executive Officer)*	
Mr. Xu Wen Cong	
Mr. Zhang Xiu He	
Mr. Zheng Wei Chong	
Mr. Cheung Man	(appointed on 11 September 2009)
Mr. Wang Shu	(resigned on 26 March 2009)

Non-executive Director:

Mr. Ho Hao Veng

Independent non-executive Directors:

Mr. Ang Siu Lun, Lawrence	
Mr. Ma Kwai Yuen	
Mr. Law Wing Tak, Jack	
Mr. Wei Tong Li	(resigned on 16 July 2009)

In accordance with the Article 108 of the Company's Articles of Association, Mr. Ho Hao Veng, Mr. Ma Kwai Yuen and Mr. Ang Siu Lun, Lawrence will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Pursuant to the Article 112 of the Company's Articles of Association, Mr. Cheung Man will hold office only until the forthcoming annual general meeting and, being eligible, offer themselves for election.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

(i) Long positions

Ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Wang Zheng Chun	Held by spouse	70,148,000 (Note 1)	–	70,148,000	4.15%
	Held by controlled corporation	35,000,000 (Note 2)	–	35,000,000	2.07%
	Held by controlled corporation	795,718,000 (Note 3)	–	795,718,000	47.09%
		900,866,000	–	900,866,000	53.31%
	Held by controlled corporation/ Beneficial owner	–	684,137,931 (Note 4)	684,137,931	40.48%
Mr. Zheng Wei Chong	Beneficial owner	–	3,000,000 (Note 5)	3,000,000	0.18%
Mr. Xu Wen Cong	Beneficial owner	–	3,000,000 (Note 5)	3,000,000	0.18%
Mr. Zhang Xiu He	Beneficial owner	4,620,000	3,000,000 (Note 5)	7,620,000	0.45%
Mr. Cheung Man	Beneficial owner	–	3,000,000 (Note 5)	3,000,000	0.18%
Mr. Ho Hao Veng	Beneficial owner	2,396,000	1,532,258 (Note 6)	3,928,258	0.23%

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

(i) Long positions *(Continued)*

Ordinary shares of HK$0.10 each of the Company *(Continued)*

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Ang Siu Lun, Lawrence	Beneficial owner	–	1,532,258 (Note 7)	1,532,258	0.09%
Mr. Ma Kwai Yuen	Beneficial owner	–	1,000,000 (Note 5)	1,000,000	0.06%
Mr. Law Wing Tak, Jack	Beneficial owner	–	1,000,000 (Note 5)	1,000,000	0.06%

Notes:

1. Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interests beneficially held by his spouse, Ms. Shen Ling Zhao.
2. The 35,000,000 shares are held by Grand Vision Group Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.
3. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang Zheng, Chun, an executive director.
4. Of the 684,137,931 underlying shares which Mr. Wang Zheng Chun is interested in, interest in 674,137,931 shares derived from a convertible note for a principal sum of HK$195,500,000 issued to Grand Vision Group Limited, a company wholly owned by Mr. Wang Zheng Chun with an exercise price of HK$0.29 per share, upon full conversion of which 674,137,931 shares will be allotted and issued to Mr. Wang Zheng Chun and interest in the remaining 10,000,000 shares derived from share options granted by the Company to Mr. Wang Zheng Chun on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 10,000,000 Shares at an exercise price of HK$0.229 per share exercisable during the period from 6 November 2010 to 5 November 2019.
5. The interests derived from share options granted by the Company on 6 November 2009 which entitle the holders thereof to subscribe for Shares at an exercise price of HK$0.229 per Share during the period from 6 November 2010 to 5 November 2019.
6. Of the 1,532,258 underlying shares which Mr. Ho Hao Veng ("Mr. Ho") is interested in, interest in 532,258 shares are derived from share options granted by the Company to Mr. Ho on 18 August 2006 which entitle the holder thereof to subscribe for a total number of 532,258 shares at an exercise price of HK$0.124 per share exercisable during the period from 18 August 2007 to 10 April 2012 and interest in the remaining 1,000,000 shares are derived from share options granted by the Company to Mr. Ho on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 1,000,000 shares at an exercise price of HK$0.229 per share exercisable during the period from 6 November 2010 to 5 November 2019.
7. Of the 1,532,258 underlying shares which Mr. Ang Siu Lun, Lawrence ("Mr. Ang") is interested in, interest in 532,258 shares are derived from share options granted by the Company to Mr. Ang on 18 August 2006 which entitle the holder thereof to subscribe for a total number of 532,258 shares at an exercise price of HK$0.124 per share exercisable during the period from 18 August 2007 to 10 April 2012 and interest in the remaining 1,000,000 shares are derived from share options granted by the Company to Mr. Ang on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 1,000,000 shares at an exercise price of HK$0.229 per share exercisable during the period from 6 November 2010 to 5 November 2019.

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

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

(ii) Share options

Particulars of the Company's share option scheme are set out in note 32 to the consolidated financial statements.

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

	Number of share options				
Directors	**Outstanding at beginning of year** (Note iii)	**Adjustment on open offer** (Note iv)	**Granted during the year** (Note v)	**Lapsed during the year**	**Outstanding at end of year**
Mr. Wang Zheng Chun	–	–	10,000,000	–	10,000,000
Mr. Zheng Wei Chong	–	–	3,000,000	–	3,000,000
Mr. Xu Wen Cong	–	–	3,000,000	–	3,000,000
Mr. Zhang Xiu He	–	–	3,000,000	–	3,000,000
Mr. Cheung Man	–	–	3,000,000	–	3,000,000
Mr. Ho Hao Veng	330,000	202,258	1,000,000	–	1,532,258
Mr. Ang Siu Lun, Lawrence	330,000	202,258	1,000,000	–	1,532,258
Mr. Ma Kwai Yuen	–	–	1,000,000	–	1,000,000
Mr. Law Wing Tak, Jack	–	–	1,000,000	–	1,000,000
Mr. Wei Tong Li (Note i)	330,000	202,258	–	(532,258)	–
Mr. Wang Shu (Note ii)	330,000	–	–	(330,000)	–
	1,320,000	606,774	26,000,000	(862,258)	27,064,516

Notes:

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

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

(iii) These options were granted on 18 August 2006 under the share option scheme adopted by the Company on 11 April 2002 and entitle the holders thereof to subscribe for shares at an exercise price of HK$0.124 per share during the period from 18 August 2007 to 10 April 2012.

(iv) As a result of the completion of the open offer on 29 July 2009, the number of shares to be issued upon exercise of the outstanding share options have been adjusted. Optima Capital Limited has certified the adjustment became effective retrospectively on 11 July 2009.

(v) These options were granted on 6 November 2009 under the share option scheme adopted by the Company on 11 April 2002 which entitle the holders thereof to subscribe for shares at an exercise price of HK$0.229 per share during the period from 6 November 2010 to 5 November 2019.

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

(iii) Convertible note

Pursuant to the Sales and Purchase Agreement which was completed on 15 July 2008, a convertible note with an aggregate principle amount of HK$195,500,000 was issued by the Company to Grand Vision Group Limited which is wholly owned by Mr. Wang Zheng Chun to satisfy part of the consideration on the completion date. During the conversion period as specified under convertible note agreement and adjustment of the conversion price from HK$0.46 per share to HK$0.29 per share as a result of the completion of open offer, Mr. Wang Zheng Chun has an option to convert the convertible note into 674,137,931 ordinary shares in the Company. Upon full conversion of the convertible note, Mr. Wang Zheng Chun will hold interests in ordinary shares representing approximately 67% of the enlarged issued share capital of the Company.

Details of the convertible note are set out in note 28 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACT

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

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed above in the section headed "Directors' interests in shares and underlying shares" at 31 December 2009, the shareholders (other than Directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Percentage of holding
Mr. Wang Zheng Chun	Interest held by spouse (Note 1)	70,148,000	4.15%
	Interest held by controlled corporation (Note 2)	35,000,000	2.07%
	Interest held by controlled corporation (Note 3)	795,718,000	47.09%
	Interest held by controlled corporation/ Beneficial Owner (Note 4)	684,137,931	40.48%
		1,585,003,931	93.79%

Notes:

1. Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interest beneficially held by his spouse, Ms. Shen Ling Zhao.

2. The 35,000,000 shares are held by Grand Vision Group Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.

3. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.

4. Of the 684,137,931 underlying shares which Mr. Wang Zheng Chun is interested in, interest in 674,137,931 shares derived from a convertible note for a principal sum of HK$195,500,000 issued to Grand Vision Group Limited, a company wholly owned by Mr. Wang Zheng Chun with an exercise price of HK$0.29 per share, upon full conversion of which 674,137,931 shares will be allotted and issued to Mr. Wang Zheng Chun and interest in the remaining 10,000,000 shares derived from share options granted by the Company to Mr. Wang Zheng Chun on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 10,000,000 shares at an exercise price of HK$0.229 per share exercisable during the period from 6 November 2010 to 5 November 2019.

Save as disclosed above and in the section headed "Directors' interests in shares and underlying shares", as at 31 December 2009, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER REPORTING PERIOD

Details of the significant events occurring after the reporting period are set out in note 38 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Zheng Chun
Chairman

22 April 2010

INDEPENDENT
AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Wang Sing International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 88, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw your attention to note 1 to the consolidated financial statements, which explains that the Group incurred a loss of HK$45,930,000 during the year ended 31 December 2009. These conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 April 2010

CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	**104,963**	186,331
Cost of sales		**(95,023)**	(173,575)
Gross profit		**9,940**	12,756
Other income	9	**6,621**	5,662
Selling and distribution expenses		**(6,814)**	(13,175)
Administrative expenses		**(41,931)**	(51,399)
Impairment loss recognised in respect of property, plant and equipment		**–**	(23,192)
Fair value gain on conversion option embedded in convertible note	28	**14,486**	8,341
Reversal of allowance for amounts receivable from an associate disposed of in previous years		**–**	2,614
Finance costs	12	**(28,232)**	(19,070)
Loss for the year	14	**(45,930)**	(77,463)
Other comprehensive (expense) income			
Exchange differences arising on translation		**(36)**	2,509
Total comprehensive expense for the year		**(45,966)**	(74,954)
Loss per share – basic and diluted (HK cents)	15	**(4.3)**	(11.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	95,263	99,460
Prepaid lease payments	17	24,453	879
Intangible assets	18	4,260	3,398
		123,976	103,737
Current assets			
Inventories	19	12,994	13,221
Properties under development held for sale	20	236,111	226,206
Trade and other receivables	21	56,093	67,284
Prepaid lease payments	17	711	129
Pledged bank deposits	22	–	2,285
Bank balances and cash	23	35,198	38,536
		341,107	347,661
Current liabilities			
Trade and other payables	24	34,525	66,780
Deposits and accrued expenses		6,251	7,932
Bank borrowings	25	43,157	27,832
Loans from related companies	26	43,684	18,943
Conversion option embedded in convertible note	28	18,302	32,788
Liability component of convertible note	28	188,774	–
		334,693	154,275
Net current assets		6,414	193,386
Total assets less current liabilities		130,390	297,123

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	27	168,991	52,997
Reserves		(61,315)	(27,274)
Total equity		107,676	25,723
Non-current liabilities			
Liability component of convertible note	28	–	164,454
Loans from related companies	26	–	106,946
Deferred income	29	22,714	–
		22,714	271,400
		130,390	297,123

The consolidated financial statements on pages 30 to 88 were approved and authorised for issue by the Board of Directors on 22 April 2010 and are signed on its behalf by:

Wang Zheng Chun
DIRECTOR

Zheng Wei Chong
DIRECTOR

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium account HK$'000	Share options reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	49,497	164,075	139	800	11,536	710	(141,899)	84,858
Other comprehensive income for the year	–	–	–	–	2,509	–	–	2,509
Loss for the year	–	–	–	–	–	–	(77,463)	(77,463)
Total comprehensive income (expenses) for the year	–	–	–	–	2,509	–	(77,463)	(74,954)
Issue of shares	3,500	5,950	–	–	–	–	–	9,450
Recognition of equity-settled share-based payments	–	–	6,369	–	–	–	–	6,369
Release upon lapse of vested share options	–	–	(185)	–	–	–	185	–
At 31 December 2008	52,997	170,025	6,323	800	14,045	710	(219,177)	25,723
Other comprehensive expense for the year	–	–	–	–	(36)	–	–	(36)
Loss for the year	–	–	–	–	–	–	(45,930)	(45,930)
Total comprehensive expenses for the year	–	–	–	–	(36)	–	(45,930)	(45,966)
Issue of shares:								
– on open offer	105,994	–	–	–	–	–	–	105,994
– on subscription	10,000	13,000	–	–	–	–	–	23,000
Transaction costs attributable to issue of shares	–	(4,391)	–	–	–	–	–	(4,391)
Recognition of equity-settled share-based payments	–	–	3,316	–	–	–	–	3,316
Release upon lapse of vested share options	–	–	(2,722)	–	–	–	2,722	–
At 31 December 2009	**168,991**	**178,634**	**6,917**	**800**	**14,009**	**710**	**(262,385)**	**107,676**

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

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

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

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

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

CONSOLIDATED
STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(45,930)	(77,463)
Adjustments for:		
Share-based payment expenses	3,316	6,369
Amortisation of intangible assets	1,596	1,302
Amortisation of leasehold land	–	2,030
Depreciation of property, plant and equipment	8,333	16,062
Release of prepaid lease payments	274	125
Gain on disposal of property, plant and equipment	(196)	(54)
Write off of other receivables	–	944
Impairment loss recognised on trade receivables	1,448	111
Interest income from banks	(352)	(562)
Finance costs	28,232	19,070
Fair value gain on conversion option embedded in convertible note	(14,486)	(8,341)
Impairment loss recognised in respect of property, plant and equipment	–	23,192
Recovery of bad debts written off in prior years	(1,125)	(375)
Reversal of allowance for amounts receivable from an associate disposed of in previous years	–	(2,614)
Operating cash flows before movements in working capital	(18,890)	(20,204)
Decrease in inventories	227	6,087
Decrease in trade and other receivables	10,868	62,534
Increase in properties under development held for sale	(9,633)	(7,299)
Decrease in trade and other payables	(31,768)	(9,969)
(Decrease) increase in deposits and accrued expenses	(2,168)	3,350
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(51,364)	34,499

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of prepaid lease payments		(24,410)	–
Purchase of property, plant and equipment		(3,863)	(4,466)
Purchase of intangible assets and development costs paid		(2,450)	(1,272)
Decrease (increase) in pledged bank deposits		2,285	(2,285)
Proceeds on disposal of property, plant and equipment		358	4,312
Interest received from banks		352	562
Acquisition of assets through purchase of a subsidiary	33	–	7,368
Repayment from an associate disposed of in previous years		–	2,614
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(27,728)	6,833
FINANCING ACTIVITIES			
Advances from related companies		57,900	60,493
New bank borrowings raised		35,179	87,285
Proceeds from issue of new shares (net of cost directly attributable to issue of shares)		45,031	–
Government grants received	29	22,714	–
Repayments of amounts due to related companies		(61,344)	(8,275)
Repayments of bank borrowings		(19,894)	(180,988)
Interest paid		(3,912)	(6,132)
Repayments of other borrowings		–	(16,498)
Advance from a director		–	27,496
Other borrowings raised		–	5,499
NET CASH FROM (USED IN) FINANCING ACTIVITIES		75,674	(31,120)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,418)	10,212
CASH AND CASH EQUIVALENTS AT 1 JANUARY		38,536	28,215
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		80	109
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		35,198	38,536

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s controlling shareholder is Mr. Wang Zheng Chun (“Mr. Wang”), the Executive Director of the Group.

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 37. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The functional currency of the Company is United States dollars (“USD”), and the consolidated financial statements are presented in Hong Kong dollars (“HKD”). The Directors of the Company selected HKD as the presentation currency because the shares of the Company are listed on the Stock Exchange.

In preparing the consolidated financial statements for the year ended 31 December 2009, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s loss of HK$45,930,000 for the year ended 31 December 2009. The Directors of the Company have been taking steps to improve the liquidity of the Group as follows:

(i) In January 2010, the Group obtained new banking facilities amounting to HK$170 million (equivalent to RMB150 million) which will be repayable in January 2013.

(ii) In January 2010, the Group obtained a loan from Mr. Wang amounting to HK$132 million (equivalent to RMB116 million) which is unsecured, interest free and repayable on demand, in which approximately HK$79.5 million was repaid in February 2010.

(iii) In March 2010, the Company obtained new loan facilities in aggregate amount of HK$227 million (equivalent to RMB200 million) from independent third parties that are unsecured, interest bearing at the commercial lending rate (“Rate”) quoted by commercial banks in the People’s Republic of China (the “PRC”) plus 1% per annum and repayable in six months after the loans are drawn down.

(iv) In relation to the convertible note held by Mr. Wang (see note 28), in March 2010, Mr. Wang entered into an undertaking with the Company that he agreed to grant a new loan to the Company, should he select redemption of the convertible note, upon the receipt of the redemption money of the convertible note at 104% of the principal amount on 15 July 2010. The loan would be unsecured, interest free and repayable in one year.

In addition, the Group plans to obtain other financing through raising additional banking facilities and/or equity financing.

Provided that the Group can obtain the required additional fundings for the business operation, in the opinion of the directors, the Group has sufficient financial resources to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8). However, it does not result in changes in the basis of measurement of segment profit or loss.

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

HKAS 32 (Amendment) Classification of Rights Issues

The Group has adopted the Amendment to HKAS 32 titled Classification of Rights Issues in advance of its effective date (1 February 2010). The amendment to HKAS 32 affects the accounting for rights issued to shareholders on a pro rata basis that give shareholders the rights to acquire a fixed number of equity instruments of the Company for a fixed amount of cash in a foreign currency.

As a result of the application of the amendment, rights given by the Company under the open offer in the current year to the existing shareholders on a pro rata basis to acquire equity instruments of the Company have not been treated as derivatives (see note 27(c)) and hence no gain or loss has been recognised in profit or loss in the consolidated statement of comprehensive income for the current year in respect of the open offer. Consideration received in respect of the issue and allotment of the equity instruments of the Company pursuant to the open offer is recognised in equity directly.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 July 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 January 2013.

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

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction in progress

Construction in progress represents buildings, plant and machinery under construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs comprise direct and indirect costs of acquisition or construction. Construction in progress is classified to the approximate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent that the allocation of the lease payments can be made reliably, leasehold interest in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other schemes managed by the PRC government are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. 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 associated with investments in subsidiaries except where the Group 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditures

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and loans from related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible note

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

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

Derecognition

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

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

Properties under development held for sale

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

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

Equity-settled share-based payment transactions

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

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

At the end of the reporting period, 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 in the statement of comprehensive income, with a corresponding adjustment to share options reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

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

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

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Impairment on property, plant and equipment

Property, plant and equipment, are carried at cost less accumulated depreciation and accumulated impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment, and hence, involves consideration of the value in use. The cash flows used in the value in use calculation are based on the most up-to-date budgets and plans formally approved by management covering a 5-year period and are based on reasonable and supportable assumptions. For impairment assessment as at 31 December 2008, discount rate of 14% and a zero-growth rate have been used. In management's view, the discount rate represents the rate that the market would expect on an investment of equivalent risk. To the extent that the carrying amount exceeds the recoverable amount, an impairment loss has been recognised in respect of the affected property, plant and equipment. An impairment loss on property, plant and equipment of HK$23,192,000 was recognised for the year ended 31 December 2008 and details are set out in note 16. No impairment loss on property, plant and equipment is noted in current year.

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

Deferred taxation

As at 31 December 2009, the Group has not recognised any deferred tax assets in the consolidated statement of financial position in relation to unused tax losses of certain group entities. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material deferred tax asset may be recognised, which would be credited to profit or loss in the consolidated statement of comprehensive income for the year. Details of unused tax losses not recognised amounted to approximately HK$198,393,000 (2008: HK$175,709,000) as disclosed in note 13.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts (that includes bank borrowings, loans from related companies and convertible note) and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	55,609	102,092
Financial liabilities		
Amortised cost	310,140	384,955
Conversion option embedded in convertible note	18,302	32,788

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, loans from related companies, bank borrowings, convertible note and the conversion option embedded in convertible note. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk , interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currencies of the Company's principal subsidiaries are USD and Renminbi ("RMB"). The functional currencies of some of the principal subsidiaries are USD because most of the sales transactions of those subsidiaries are negotiated, denominated and settled in USD. While most of the Group's operations are transacted in the functional currencies of the respective group entities, the Group undertakes certain transactions denominated in foreign currencies. The Group currently has not formulated any hedging policies against its exposure to currency risk. Yet, the Group still manages its foreign currency risk by closely monitoring movements of foreign currency exchange rates.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies other than functional currencies of the relevant group entities at the end of the reporting periods are as follows:

	2009 HK$'000	2008 HK$'000
Assets		
RMB	355	9,542
USD	229	19
Euro ("EUR")	1,148	209
HKD	69	224
Liabilities		
RMB	2,791	65,744
HKD	200,594	164,450

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) *Currency risk (Continued)*

Sensitivity analysis

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

The following table details the sensitivity of the Group to a 10% (2008: 10%) increase and decrease in USD against RMB and EUR. 10% (2008: 10%) 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 only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2008: 10%) change in foreign currency rates. On this basis, there will be an increase in loss (2008: increase in loss) where the functional currency of relevant entities weakens against RMB, EUR and USD by 10% (2008: 10%), and vice versa. For a 10% (2008: 10%) weakening of USD against the relevant currencies, loss for the year would be as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease (increase) in loss	**151**	973	**(279)**	(6,574)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) *Interest rate risk*

The Group's cash flow interest rate risk primarily relates to its variable-rate pledged bank deposits, bank balances, bank borrowings and loans from related companies. Details of the Group's pledged bank deposits, bank balances, bank borrowings and loans from related companies are disclosed in notes 22, 23, 25 and 26, respectively.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2008: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2009 would increase/decrease by HK$194,000 (2008: increase/decrease by HK$561,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Price risk

The conversion option derivative embedded in convertible note is measured at fair value at the end of the reporting period using Black-Scholes pricing model. Therefore, the Group is exposed to price risk.

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

At 31 December 2009, if the share price of the Company had increased or decreased by 20% with all other variables under Black-Scholes option pricing model held constant, the consolidated pre-tax loss for the year would have been HK$12,934,000 or HK$9,488,000 (2008: HK$12,400,000 or HK$11,041,000) higher or lower respectively, arising from losses or gains in fair value of the conversion option embedded in convertible note.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and debtors is the carrying amount of the respective financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has a customer (2008: two customers) whose outstanding trade receivables represents approximately 45% (2008: 55%) of the total receivables of the Group as at 31 December 2009 which expose the Group to the concentration of credit risk. Other than that, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties. The Group reviews the recoverable amounts of outstanding trade receivables on regular basis and an allowance for doubtful debt is made where there is an identified loss.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

As set out in note 1, the Group incurred a loss of HK$45,930,000 during the year ended 31 December 2009 and accumulated losses of HK$262,385,000. The consolidated financial statements are prepared on a going concern basis dependent upon the existence of external financing obtained after the end of the reporting period to meet in full its financing obligations as they fall due in the foreseeable future.

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

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average contractual interest rate	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2009							
Non-derivate financial liabilities							
Trade and other payables	–	8,991	16,655	8,879	–	34,525	34,525
Bank borrowings	6.15%	219	658	44,473	–	45,350	43,157
Loans from related companies	–	43,684	–	–	–	43,684	43,684
Convertible note	–	–	–	195,500	–	195,500	188,774
		52,894	17,313	248,852	–	319,059	310,140
2008							
Non-derivate financial liabilities							
Trade and other payables	–	27,187	17,896	21,697	–	66,780	66,780
Bank borrowings	6.5%	5,753	14,455	8,045	–	28,253	27,832
Loans from related companies	6.3%	18,943	–	–	113,656	132,599	125,889
Convertible note	–	–	–	–	195,500	195,500	164,454
		51,883	32,351	29,742	309,156	423,132	384,955

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

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

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

- the fair value of the conversion option derivative embedded in the convertible bond is determined with reference to the valuation carried out by Grant Sherman Appraisal Limited ("GSAL"), an independent firm of professional valuers not connected with the Group and is calculated using the Black-Scholes pricing model. Key assumptions used in determining the fair value of the conversion option derivative are set out in note 28.

The fair value of the liability component of the convertible note as at 31 December 2009 is estimated to be HK$194,101,000 (2008: HK$131,707,000). The fair value is determined assuming redemption on the maturity date, using a discount rate of 9.07% (2008: 32.71%) and holding credit risk margin constant.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

At the end of the reporting period, the Group has no Level 1 or 3 fair value measurement financial instruments.

	Level 2
	HK$'000
Financial liabilities at fair value through profit or loss	
Conversion option embedded in convertible note	18,302

There were no transfers between Level 1 and 2 in the current year.

7. REVENUE

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

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed by the geographical locations of customers. For the purposes of resources allocation and performance assessment, the Group's chief operating decision maker (i.e. Executive Directors) regularly review the internal reports derived from two operating segments which consist of (a) Manufacturing and Trading and (b) Property Development and Trading. Segment information about the Manufacturing and Trading segment is further analysed based on the geographical location of customers for the purposes of resource allocation and performance assessment:

– Germany
– France
– the United States of America (the "USA")
– Other countries

8. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating segment. Amounts reported for the prior periods had been restated to conform to the requirements of HKFRS 8.

For the year ended 31 December 2009

	Manufacturing and Trading				Property Development and Trading	
	Germany HK$'000	France HK$'000	USA HK$'000	Other countries HK$'000	HK$'000	Total HK$'000
Segment revenue – external	34,971	2,731	47,312	19,949	–	104,963
RESULTS						
Segment profit (loss)	3,452	246	3,478	1,316	(1,845)	6,647
Unallocated corporate income						21,107
Unallocated corporate expenses						(45,452)
Finance costs						(28,232)
Loss for the year						(45,930)

For the year ended 31 December 2008

	Manufacturing and Trading				Property Development and Trading	
	Germany HK$'000	France HK$'000	USA HK$'000	Other countries HK$'000	HK$'000	Total HK$'000
Segment revenue – external	85,263	75,963	–	25,105	–	186,331
RESULTS						
Segment profit	5,694	4,963	–	1,988	–	12,645
Unallocated corporate income						16,617
Unallocated corporate expenses						(64,463)
Impairment loss recognised in respect of property, plant and equipment						(23,192)
Finance costs						(19,070)
Loss for the year						(77,463)

8. SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, finance costs, corporate income, selling and distribution expenses and impairment loss recognised in respect of property, plant and equipment. Cost of sales for each geographical locations of Manufacturing and Trading segment is allocated on the basis of the revenue earned by each segment.

Segment assets and liabilities are not regularly reviewed by the chief operating decision maker for the purposes of performance assessment and resource allocation.

Other segment information

For the year ended 31 December 2009

	Manufacturing and Trading				Property Development and Trading	Others	Total
	Germany	France	USA	Other countries			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the segment profit:							
Depreciation of property, plant and equipment	791	61	1,071	452	116	5,842	8,333
Amortisation of intangible assets	531	41	720	304	–	–	1,596
Impairment losses recognised on trade receivables	–	24	1,103	321	–	–	1,448

For the year ended 31 December 2008

	Manufacturing and Trading				Property Development and Trading	Others	Total
	Germany	France	USA	Other countries			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the segment profit:							
Depreciation of property, plant and equipment	2,605	2,321	–	910	55	10,171	16,062
Amortisation of intangible assets	581	518	–	203	–	–	1,302
Impairment losses recognised on trade receivables	–	111	–	–	–	–	111

8. SEGMENT INFORMATION *(Continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2009 HK$'000	2008 HK$'000
Sales of power tools	**99,510**	151,436
Sales of air tools	**2,222**	5,735
Sales of hand tools	**459**	5,032
Sales of housewares	**2,772**	24,128
Properties under development held for sale	**–**	–
	104,963	186,331

The above information about the Group's revenue from major products was determined based on the location of customers. The Group's non-current assets are substantially located in the Mainland China.

Information about major customers

For the year ended 31 December 2009, revenue from a single customer in the Manufacturing and Trading segment amounted to HK$68,507,000 which contributed to approximately 65.27% of the Group's total revenue.

For the year ended 31 December 2008, revenue from two customers in the Manufacturing and Trading segment amounted to HK$102,854,000 and HK$35,293,000 which contributed to approximately 55.20% and 18.94%, respectively, of the Group's total revenue.

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Gain on disposal of property, plant and equipment	**196**	54
Interest income from banks	**352**	562
Recovery of bad debts written off in prior years	**1,125**	375
Exchange (loss) gain	**(223)**	3,809
Compensation received from an independent third party (Note)	**4,085**	–
Sundry income	**1,086**	862
	6,621	5,662

Note: The amount represents the compensation received from an independent third party, who is the vendor of a proposed project to be entered into by the Company in 2009 but the project was eventually abandoned because the vendor decided not to proceed the project. A compensation was received by the Company according to the terms of the relevant agreement.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2008: thirteen) directors were as follows:

Year ended 31 December 2009

	Executive Directors						Non-executive Director	Independent non-executive Directors				
	Mr. Wang Zheng Chun HK$'000	Mr. Xu Wen Cong HK$'000	Mr. Zhang Xiu He HK$'000	Mr. Zheng Wei Chong HK$'000	Mr. Cheung Man HK$'000	Mr. Wang Shu HK$'000	Mr. Ho Hao Veng HK$'000	Mr. Ang Siu Lun, Lawrence HK$'000	Mr. Ma Kwai Yuen HK$'000	Mr. Law Wing Tak, Jack HK$'000	Mr. Wei Tong Li HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	100	120	150	150	17	537
Other emoluments:												
Salaries	1,079	544	544	420	165	28	–	–	–	–	–	2,780
Contributions to retirement benefits scheme	–	–	–	–	4	2	–	–	–	–	–	6
Share-based payment expenses	134	40	40	40	40	–	13	13	13	13	–	346
Total emoluments	1,213	584	584	460	209	30	113	133	163	163	17	3,669

Year ended 31 December 2008

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2008: two) were Directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining one (2008: three) individual(s) was as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	450	2,912
Contributions to retirement benefits scheme	–	10
Share-based payment expenses	40	5,282
Total emoluments	490	8,204

Their emoluments were within the following bands:

	Number of employees	
	2009	2008
Not exceeding HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 or above	–	1
	1	3

During the years ended 31 December 2009 and 2008, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during the years ended 31 December 2009 and 2008.

12. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,883	5,166
Other borrowings	–	966
Amount due to a director	–	2,103
Loans from related companies	1,029	752
Imputed interest expense on convertible note	24,320	10,083
	28,232	19,070

13. TAXATION

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

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

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

13. TAXATION *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Loss before taxation	**(45,930)**	(77,463)
Tax at the PRC Enterprise Income Tax rate of 25%	**(11,482)**	(19,366)
Tax effect of expenses not deductible for tax purpose	**9,559**	14,518
Tax effect of income not taxable for tax purpose	**(3,748)**	(5,863)
Tax effect of tax losses and deductible temporary difference not recognised	**5,671**	10,711
Taxation for the year	**–**	–

At the end of the reporting period, the Group has estimated unused tax losses and deductible temporary difference of HK$175,679,000 (2008: HK$175,709,000) and HK$22,714,000 (2008: Nil) respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2015.

14. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	8,333	16,062
Amortisation of intangible assets (included in cost of sales)	1,596	1,302
Amortisation of prepaid lease payments included in properties under development held for sale (included in administrative expenses)	–	2,030
Release of prepaid lease payments	274	125
Directors' emoluments (note 10)	3,669	2,721
Other staff costs	9,418	9,497
Other staff's retirement benefits scheme contribution	658	823
Share-based payment expenses for staffs other than Directors	2,970	6,369
Total staff costs	16,715	19,410
Auditors' remuneration	1,366	1,778
Impairment loss recognised on trade receivables (included in administrative expenses)	1,448	111
Impairment loss recognised on other receivables (included in administrative expenses)	–	761
Written off for other receivables (included in administrative expenses)	–	944
Cost of inventories recognised as expense	95,023	172,273

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of the Group of HK$45,930,000 (2008: HK$77,463,000) and on the weighted average number of ordinary share in issue of approximately 1,069,962,000 (2008: 657,225,000) shares in issue.

The weighted average number of ordinary shares for the purposes of basic loss per share has been adjusted for both years for the open offer on 29 July 2009.

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

The computation of the diluted loss per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market price for shares for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Plant and machinery	Moulds	Leasehold improvements, furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 January 2008	65,216	–	87,162	29,146	9,757	3,604	2,138	197,023
Exchange adjustments	4,040	–	5,120	545	439	135	112	10,391
Additions	318	–	466	3,456	188	38	–	4,466
Acquired through purchase of a subsidiary	–	–	–	–	–	–	322	322
Disposals	–	–	(9,071)	–	–	(679)	(173)	(9,923)
At 31 December 2008	69,574	–	83,677	33,147	10,384	3,098	2,399	202,279
Exchange adjustments	113	–	338	18	91	3	2	565
Additions	1,190	187	759	320	691	121	595	3,863
Transfer	–	(79)	–	–	79	–	–	–
Disposals	–	–	(43)	–	–	(44)	(1,235)	(1,322)
At 31 December 2009	**70,877**	**108**	**84,731**	**33,485**	**11,245**	**3,178**	**1,761**	**205,385**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2008	5,175	–	29,675	19,517	7,412	2,258	1,585	65,622
Exchange adjustments	390	–	2,212	467	382	67	90	3,608
Charge for the year	2,267	–	6,465	5,836	887	302	305	16,062
Impairment loss recognised in profit or loss	–	–	19,233	3,959	–	–	–	23,192
Elimination on disposals	–	–	(4,845)	–	–	(679)	(141)	(5,665)
At 31 December 2008	7,832	–	52,740	29,779	8,681	1,948	1,839	102,819
Exchange adjustments	14	–	86	16	10	2	2	130
Charge for the year	1,332	–	2,705	2,375	1,357	264	300	8,333
Elimination on disposals	–	–	(31)	–	–	(39)	(1,090)	(1,160)
At 31 December 2009	**9,178**	**–**	**55,500**	**32,170**	**10,048**	**2,175**	**1,051**	**110,122**
CARRYING VALUES								
At 31 December 2009	**61,699**	**108**	**29,231**	**1,315**	**1,197**	**1,003**	**710**	**95,263**
At 31 December 2008	61,742	–	30,937	3,368	1,703	1,150	560	99,460

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

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

Buildings	Over the shorter of the unexpired term of the relevant lease, ranging 20 to 50 years
Plant and machinery	10%
Moulds	20%
Leasehold improvements, furniture and fixtures	20 – $33^1/_3$%
Computer equipment	20%
Motor vehicles	20 – $33^1/_3$%

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

The Group has pledged property, plant and equipment with the aggregate carrying value of approximately HK$55,206,000 (2008: HK$58,403,000) to secure general banking facilities granted to the Group.

During the year ended in 31 December 2008, the Directors identified that some of the Group's assets for manufacturing purposes were impaired due to adverse market change in the industries. Accordingly, impairment losses of HK$19,233,000 and HK$3,959,000 were recognised in respect of plant and machinery and moulds, respectively, which are used in the Group's manufacturing and trading segment. The recoverable amounts of the relevant assets have been determined based on the value in use calculation. The discount rate and growth rate in measuring the recoverable amounts determined based on the value in use was 14% (representing the rate that the market would expect on an investment of equivalent risk) and 0% respectively.

During the year ended 31 December 2009, no impairment loss is identified.

17. PREPAID LEASE PAYMENTS

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

	2009 HK$'000	2008 HK$'000
Analysed for reporting purposes as:		
Current assets	711	129
Non-current assets	24,453	879
	25,164	1,008

The Group has pledged prepaid lease payment with the carrying value of approximately HK$24,283,000 (2008: Nil) to secure general banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Development costs HK$'000	Patents, trademark, licences and manufacture know-how HK$'000	Exclusive supply right HK$'000	Total HK$'000
COST				
At 1 January 2008	11,125	16,858	37,350	65,333
Exchange adjustments	1,025	674	–	1,699
Additions	790	482	–	1,272
At 31 December 2008	12,940	18,014	37,350	68,304
Exchange adjustments	22	14	–	36
Additions	1,287	1,163	–	2,450
At 31 December 2009	**14,249**	**19,191**	**37,350**	**70,790**
AMORTISATION AND IMPAIRMENT				
At 1 January 2008	9,974	15,330	37,350	62,654
Exchange adjustments	626	324	–	950
Amortisation for the year	296	1,006	–	1,302
At 31 December 2008	10,896	16,660	37,350	64,906
Exchange adjustments	18	10	–	28
Amortisation for the year	789	807	–	1,596
At 31 December 2009	**11,703**	**17,477**	**37,350**	**66,530**
CARRYING VALUES				
At 31 December 2009	**2,546**	**1,714**	**–**	**4,260**
At 31 December 2008	2,044	1,354	–	3,398

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

18. INTANGIBLE ASSETS *(Continued)*

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

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

As at the end of the reporting period, the Directors conducted a review of the Group's intangible assets and determined that no impairment loss is identified. No impairment loss has been recognised through profit or loss for both years.

19. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	6,523	6,455
Work in progress	2,898	3,348
Finished goods	3,573	3,418
	12,994	13,221

20. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

As mentioned in note 33, the Group acquired a piece of land through purchase of a subsidiary during the year ended 31 December 2008. The piece of land is being developed into its residential properties for sale in the ordinary course of business upon completion. The piece of land is situated in the Mainland PRC and held under a long lease.

	2009 HK$'000
COST	
At 1 January 2008	–
Leasehold land acquired through purchase of a subsidiary (note 33)	221,775
Additions	7,299
Exchange adjustments	(775)
At 31 December 2008	228,299
Additions	9,633
Exchange adjustments	276
At 31 December 2009	238,208
AMORTISATION	
At 1 January 2008	–
Amortisation for the year	2,030
Exchange adjustments	63
At 31 December 2008	2,093
Exchange adjustments	4
At 31 December 2009	2,097
CARRYING VALUES	
At 31 December 2009	236,111
At 31 December 2008	226,206

The construction work is expected to be completed in 2011.

21. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60-120 days to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Within 30 days	8,114	16,730
Between 31 to 60 days	6,193	15,442
Between 61 to 90 days	1,288	6,635
Between 91 to 120 days	844	8,710
Over 120 days	416	5
Trade receivables	16,855	47,522
Other receivables	3,556	13,749
Deposits and prepayments (Note)	35,682	6,013
	56,093	67,284

As at 31 December 2009, discounted bills receivable with recourse of Nil (2008: approximately HK$8,556,000) were included in trade receivables.

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

At the end of the reporting period, the Directors considered that trade receivables which are neither past due nor impaired are of good credit quality.

Included in the Group's trade receivable balance are receivables with aggregate carrying amount of HK$416,000 (2008: HK$5,000) 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.

Ageing of trade receivables which are past due but not impaired:

	2009 HK$'000	2008 HK$'000
Over 120 days	416	5

The Directors considered trade and other receivables which are past due but not impaired are of good credit quality. Satisfactory settlement was received subsequent to the end of the reporting period.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts of trade receivables:

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	–	201
Impairment losses recognised on trade receivables	1,448	111
Amounts written off as uncollectible	(1,448)	(312)
Balance at end of the year	–	–

Movement in allowance for doubtful debts of other receivables:

	HK$'000
Balance at 1 January 2008	183
Impairment losses recognised on other receivables	761
Amounts written off as uncollectible	(944)
Balance at 31 December 2008 and 2009	–

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

	RMB	EUR	HK$
As at 31 December 2009 (HK$'000)	**7**	**6**	**20**
As at 31 December 2008 (HK$'000)	8,677	1	140

Note: Included in deposits and prepayments are deposits paid to subcontractors for the construction of properties under development held for sale of approximately HK$32,808,000 (2008: Nil).

22. PLEDGED BANK DEPOSITS

The pledged bank deposits as at 31 December 2008 represented deposits pledged to banks to secure short-term bank borrowings of the Group. These have been released during the year ended 31 December 2009 upon renewal and expiry of the relevant banking facilities.

The pledged bank deposits carried interest at variable market rates which ranged from 2.25% to 3.78% per annum for the year ended 31 December 2008.

23. BANK BALANCES AND CASH

The bank balances carried interest at variable market rates which range from 0.001% to 0.1% (2008: 1.1% to 3.5%) per annum.

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

	RMB	US$	EUR	HK$
As at 31 December 2009 (HK$'000)	**348**	**229**	**1,142**	**49**
As at 31 December 2008 (HK$'000)	865	19	208	84

24. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Within 30 days	12,040	21,470
Between 31 to 60 days	4,615	12,898
Between 61 to 90 days	2,140	4,690
Between 91 to 120 days	1,031	5,034
Over 120 days	5,820	17,738
Trade payables	25,646	61,830
Other payables	8,879	4,950
	34,525	66,780

The average credit period on purchases of goods is 90 days.

24. TRADE AND OTHER PAYABLES *(Continued)*

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

	RMB	HK$
As at 31 December 2009 (HK$'000)	**2,791**	**42**
As at 31 December 2008 (HK$'000)	37,396	54

25. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank loans		
– secured	**43,157**	19,276
– unsecured	**–**	8,556
	43,157	27,832

Included in bank loan as at 31 December 2009 was a total amount of approximately of Nil (2008: HK$8,556,000) which represented the proceeds from discounted bills receivable with recourse.

The Group has pledged its property, plant and equipment and prepaid lease payments with carrying values of approximately HK$55,206,000 (2008: HK$58,403,000) and HK$24,283,000 (2008: Nil) respectively and bank deposits of Nil (2008: HK$2,285,000) to secure general banking facilities granted to the Group.

All borrowings carry interest at variable rates.

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

	2009	2008
Effective interest rates:		
Variable-rate borrowings	**5.8% – 6.4%**	4.1% – 8.9%

26. LOANS FROM RELATED COMPANIES

	2009 HK$'000	2008 HK$'000
Interest-free loans	43,684	37,419
Variable-rate loans	–	88,470
	43,684	125,889
Analysed for reporting purposes as:		
Current liabilities	43,684	18,943
Non-current liabilities	–	106,946
	43,684	125,889

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

Included in variable-rate loans is an aggregate amount of Nil (2008: HK$28,348,000) which is denominated in Renminbi that is not the functional currency of the relevant group entity.

At 31 December 2008, loans with an aggregate amount of HK$88,470,000 were interest bearing at the commercial lending rate ("Rate") provided by commercial banks in the PRC minus 1% of the Rate per annum or at the Rate per annum. All loans were unsecured, which were either repayable on demand or had no fixed term of repayment except for loans of HK$106,946,000 which were due after one year but not exceeding two years of the end of the reporting period. Effective interest rate of the variable-rate loans is 6.29% for the year ended 31 December 2008.

During the year, the Group obtained loans advanced by related companies amounting to HK$57,900,000 and repaid an aggregate amount of HK$61,344,000 to them. Part of the loan from Hillfame Holdings Limited ("Hillfame"), a company that is wholly owned by Mr. Wang, of HK$79,572,000 was settled during the current year by offsetting the amount payable to Mr. Wang for the subscription of new shares under the open offer (see note 27(c)).

All loans from related companies as at 31 December 2009 are unsecured, interest free and repayable on demand.

27. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2008 and 31 December 2008	2,000,000,000	200,000
Increase during the year (Note a)	3,000,000,000	300,000
At 31 December 2009	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2008	494,970,000	49,497
Shares issued (note b)	35,000,000	3,500
At 31 December 2008	529,970,000	52,997
Open offer (note c)	1,059,940,000	105,994
Shares issued (note d)	100,000,000	10,000
At 31 December 2009	1,689,910,000	168,991

Notes:

(a) On 10 July 2009, the authorised ordinary shares capital of the Company has increased from HK$200,000,000 to HK$500,000,000 by the creation of 3,000,000,000 ordinary shares of HK$0.10 each.

(b) In July 2008, the Company issued 35,000,000 ordinary shares for the acquisition of assets through purchase of a subsidiary, details of which are disclosed in note 33.

(c) On 27 July 2009, the Company issued and allotted 1,059,940,000 shares pursuant to the open offer made by the Company on 10 July 2009 of which 795,718,000 shares were issued and alloted to Hillfame acting tin the capacity of the underwriter for the open offer. Pursuant to the open offer, two offer shares at subscription price of HK$0.1 each were offered to every share held by the qualifying shareholders on 10 July 2009.

(d) On 18 December 2009, the Company entered into three subscription agreements with three independent third parties pursuant to which the Company has conditionally agreed to allot and issue and each of the subscribers has conditionally agreed to subscribe for 50,000,000, 30,000,000 and 20,000,000 new shares respectively, at the subscription price of HK$0.23 each per new share.

These new shares rank pari passu with the then existing shares in issue in all aspects.

28. CONVERTIBLE NOTE

The Company issued a zero coupon convertible note in the aggregate principal value of HK$195,500,000 on 15 July 2008 to Grand Vision Group Limited which is wholly owned by Mr. Wang, as part of considerations paid for the acquisition of assets through purchase of a subsidiary, details of which are set out in note 33. The convertible note is denominated in Hong Kong dollars. The note entitles the holders to convert it into ordinary shares of the Company at any time between the date of having obtained the state-owned land use rights certificate and the physical possession and actual occupation in respect of the property in the name of Shanghai Zhuanfeng Land and Building Development Limited and its settlement date on 15 July 2010 at a conversion price of HK$0.46 per share, which is subsequently adjusted to HK$0.29 per share as a result of open offer as disclosed in note 27(c). If the convertible note has not been converted, they will be redeemed on 15 July 2010 at 104% of the principal amount.

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

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

	Liability component HK$'000	**Conversion option derivative** HK$'000
Carrying amount at initial recognition	154,371	41,129
Interest charge	10,083	–
Gain arising on changes of fair value	–	(8,341)
As at 31 December 2008	164,454	32,788
Interest charge	24,320	–
Gain arising on changes of fair value	–	(14,486)
As at 31 December 2009	**188,774**	**18,302**

28. CONVERTIBLE NOTE *(Continued)*

The fair value of the conversion option embedded in the Convertible Note was determined based on the Black-Scholes pricing model. The inputs into the model were as follows:

	2009	2008
Stock price at the end of reporting period	HK$0.206	HK$0.25
Exercise price	HK$0.29	HK$0.46
Expected volatility	85.09%	100.29%
Risk-free rate	0.17%	0.428%
Remaining option life	7 months	1.5 years
Dividend yield	0%	0%

29. DEFERRED INCOME

During the year ended 31 December 2009, the Group received a government grant of RMB20,000,000 (equivalent to HK$22,714,000) from the local government in the PRC in relation to costs to be incurred for the acquisition of high-tech machines and relevant costs incurred in the production. The amount has been recognised as deferred income and is to be released to profit or loss over the useful lives of the relevant assets. As at the end of the reporting period, the Group has not yet made any relevant purchases.

30. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments of HK$1,557,000 (2008: HK$1,019,000) paid under operating leases in respect of office and factory premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	1,936	1,394
In the second year	713	1,158
	2,649	2,552

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

31. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	50	409

32. SHARE-BASED PAYMENT TRANSACTIONS

Share options granted

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

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares as at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

Share options granted *(Continued)*

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

Options granted on 18 August 2006

Category	Adjusted exercise price per share HK$ note (iii)	Estimated fair value per share option at the date of grant	Exercisable period HK$	Number of share options outstanding at 1 January 2008	Lapsed during the year	Number of share options outstanding at 31 December 2008	Lapsed during the year	Adjustment note (iii)	Number of share options outstanding at 31 December 2009
Directors	0.124	0.0319	note (i)	1,980,000	(660,000)	1,320,000	(1,192,258)	936,774	1,064,516
Employees	0.124	0.0330	note (ii)	7,200,000	(900,000)	6,300,000	(5,535,481)	3,267,735	4,032,254
				9,180,000	(1,560,000)	7,620,000	(6,727,739)	4,204,509	5,096,770

Notes:

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

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

(iii) The number and exercise price of the share options were adjusted as a result of the completion of Open Offer on the basis of two Offer Shares for every one existing share held on 29 July 2009.

Options granted on 10 January 2008

Category	Adjusted exercise price per share HK$ note (ii)	Estimated fair value per share option at the date of grant	Exercisable period HK$	Number of share options outstanding at 1 January 2008	Number of share option granted during the year	Number of share options outstanding at 31 December 2008	Adjustment note (ii)	Number of share options outstanding at 31 December 2009
Employee	0.521	0.4648	note (i)	–	10,000,000	10,000,000	6,161,228	16,161,228

Notes:

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

(ii) The number and exercise price of the share options were adjusted as a result of the completion of Open Offer on the basis of two Offer Shares for every one existing share held on 29 July 2009.

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

Share options granted *(Continued)*

Options granted on 7 March 2008

Category	Adjusted exercise price per share HK$ note (ii)	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options at 1 January 2008	Number of share options granted during this year	Number of share options lapsed during the year	Number of share options outstanding at 31 December 2008	Number of share options lapsed during the year	Adjustment note (ii)	Number of share options outstanding at 31 December 2009
Employees	0.285	0.285	note (i)	–	17,400,000	(1,400,000)	16,000,000	(12,159,649)	3,745,609	7,585,960

Notes:

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

(ii) The number and exercise price of the share options were adjusted as a result of the completion of Open Offer on the basis of two Offer Shares for every one existing share held on 29 July 2009.

Options granted on 5 May 2008

Category	Adjusted exercise price per share HK$ note (ii)	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options at 1 January 2008	Number of share options granted during this year	Number of share options outstanding at 31 December 2008	Number of share options lapsed during the year	Adjustment note (ii)	Number of share options outstanding at 31 December 2009
Employees	0.2	0.1769	note (i)	–	6,150,000	6,150,000	(2,650,000)	2,135,000	5,635,000

Notes:

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

(ii) The number and exercise price of the share options were adjusted as a result of the completion of Open Offer on the basis of two Offer Shares for every one existing share held on 29 July 2009.

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

Share options granted *(Continued)*

Options granted on 6 November 2009

Category	Exercise price per share HK$	Estimated fair value per share option at the date of grant	Exercisable period HK$	Number of share options outstanding at 1 January 2009	Number of share options granted during the year	Number of share options outstanding at 31 December 2009
Directors	0.229	0.1487	note (i)	–	26,000,000	26,000,000
Employees	0.229	0.1487	note (i)	–	22,000,000	22,000,000
				–	48,000,000	48,000,000

Note:

(i) One-third of the share options granted to the employees will be vested annually in the next three years from 6 November 2010. Upon the lapse of vesting period, the share options are exercisable until 5 November 2019.

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

	Options granted on 10 January 2008	7 March 2008	5 May 2008	6 November 2009
Closing share price at the date of grant	HK$0.76	HK$0.44	HK$0.305	HK$0.229
Exercise price	HK$0.842	HK$0.45	HK$0.322	HK$0.229
Expected volatility	74.84%	76.02%	75.40%	79.04%
Expected life	10 years	10 years	10 years	10 years
Risk-free rates	3.155%	2.739%	2.730%	2.225%

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

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

Share options granted *(Continued)*

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

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

The Group recognised the total expense of HK$3,316,000 for the year ended 31 December 2009 (2008: HK$6,369,000) in relation to share options granted by the Company.

During the year ended 31 December 2009, 21,537,388 (2008: 2,960,000) share options lapsed and no share options were exercised and cancelled during the year.

33. ACQUISITION OF ASSETS THROUGH PURCHASE OF A SUBSIDIARY

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

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

	HK$'000
Net assets acquired:	
Property, plant and equipment	322
Amount paid for acquisition of interest in a land	221,775
Bank balance and cash	7,368
Amount due to a related company	(24,515)
	204,950
Total consideration satisfied by:	
Shares issued	9,450
Convertible note issued – liability component (note 28)	154,371
Conversion option derivative (note 28)	41,129
	204,950
Net cash inflow arising on acquisition:	
Bank balance and cash acquired	7,368

34. RETIREMENT BENEFITS SCHEMES

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

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

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

Total contributions to retirement benefits schemes charged to the profit or loss in the consolidated statement of comprehensive income amounted to HK$658,000 (2008: HK$823,000).

35. RELATED PARTY TRANSACTIONS

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

(a) The Directors of the Company consider that the remuneration of key management personnel of the Group is set out in notes 10 and 11.

(b) Transaction and balances with related companies are set out in notes 12 and 26, respectively.

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group's bank borrowings and credit facilities from financial institution were secured by the followings:

	2009 HK$'000	2008 HK$'000
Bank deposits	–	2,285
Prepaid lease payments	24,283	–
Property, plant and equipment	55,206	58,403
Properties under development held for sales	236,111	–
	315,600	60,688

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2009 and 31 December 2008 are as follows:

Name of subsidiaries	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company 2008	2009	Principal activities
Auhui Jinwang Development Investment Company Limited	WFOE	PRC	Registered capital of RMB50,000	–	–	Investment holding
Chief Wealth International Corp.	Corporation	British Virgin Islands	Share US$1	100%	100%	Investment holding
Delos International Trading Company#	Corporation	PRC	Registered capital of RMB3,000,000	–	100%	Trading of power tools and air tools
Dragon Castle International Ltd.	Corporation	Samoa	Share US$1	100%	100%	Investment holding
Ever Peace Group Limited	Corporation	Samoa	Share US$1	100%	100%	Investment holding
Gerrards (Commercial Offshore de Macau) Ltd.	Offshore company	Macau	Quota capital MOP100,000	100%	100%	Trading of power tools and air tools
Gerrards Agents Limited	Corporation	British Virgin Islands	Share US$1	100%	100%	Investment holding
Glory In Group Limited	Corporation	British Virgin Islands	Shares US$50,000	100%	100%	Investment holding
Jiangsu Golden Harbour Enterprises Ltd.	WFOE	PRC	Registered capital US$18,000,000	100%	100%	Manufacture and distribution of power tools

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company 2008	2009	Principal activities
Jiangsu Newairy Technology Ltd.	WFOE	PRC	Registered capital US$2,600,000	100%	100%	Manufacture and distribution of air tools
Rainy Company Inc.	Corporation	British Virgin Islands	Share US$1	100%	100%	Investment holding
Shanghai Zhuanfeng Land and Building Development Limited ("Shanghai Zhuanfeng")	WFOE	PRC	Registered capital of RMB10,000,000	100%	100%	Development of real estate properties
Suzhou Dong Xin Tools Co., Ltd.	WFOE	PRC	Registered capital US$556,000	100%	100%	Manufacture and distribution of power tools
Suzhou Rheinkraft Tools Company Limited	WFOE	PRC	Registered capital US$500,000	100%	100%	Manufacture and distribution of power tools
Taiwan Wang Sing International Technology Company Limited	Corporation	Taiwan	Registered capital NTD10,000,000	100%	100%	Research and development of power and air tools
Talent Power Investments	Corporation	Samoa	Share US$1	100%	100%	Investment holding
Twin Capital Limited	Corporation	British Virgin Islands	Shares US$50,000	100%	100%	Investment holding
United Win International Corporation	Corporation	British Virgin Islands	Shares US$100	100%	100%	Investment holding
Wang Sing Developing Co., Ltd.	Corporation	Hong Kong	Ordinary share US$1	100%	100%	Trading of power tools and air tools
Wang Sing Products Limited	Corporation	Hong Kong	Ordinary shares HK$1,000,000	100%	100%	Trading of power tools and air tools

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company		Principal activities
				2008	2009	
Wealth Code Inc.	Corporation	British Virgin Islands	Shares US$50,000	100%	100%	Investment holding
Well China International Limited	Corporation	British Virgin Islands	Share US$1	100%	100%	Investment holding
World Wisdom Industrial Limited	Corporation	British Virgin Islands	Share US$1	100%	100%	Trading of merchandise
Worldwide Chain Limited	Corporation	British Virgin Islands	Share US$1	100%	100%	Investment holding

New subsidiary incorporated during the year.

The above table lists the subsidiaries of the Group 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 issued any debt securities during the year or at the end of the reporting period.

38. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2010, Shanghai Zhuanfeng, a wholly-owned subsidiary of the Company, won a tender at the open auction to acquire the land use right of a parcel of land (the "Land") at a consideration of RMB445,480,000 (equivalent to approximately HK$503.4 million) and entered into the confirmation letter with Bureau of Land Resources, Haian County, the PRC at that date. The completion of the land transfer is expected to take place before 31 May 2010.

In addition, on 15 January 2010, Shanghai Zhuanfeng and Shanghai Lankai Property Development Company Limited, an independent third party, entered into a joint venture agreement to establish a joint venture company as the project company for the development of the acquired Land. Under the joint venture agreement, Shanghai Zhuanfeng and Shanghai Lankai Property Development Company Limited have 70% and 30% equity interest respectively in the joint venture company for the purpose of entering into the Land Grant Contract with the Bureau of Land Resources, Haian County, holding and developing the land.

On 15 April 2010, the acquisition and the cooperation joint venture agreement were approved, ratified and confirmed by the Shareholders at the Extraordinary General Meeting. The Company was authorized to acquire the Land by entering into the Land Grant Contract at a total consideration of RMB455,480,000 by itself or its wholly-owned subsidiary in the event the formation of the joint venture company cannot be completed for any reason including but not limited to failure to obtain necessary approval from the relevant authorities on the formation of the joint venture company or the Land Bureau does not accept it as a party to the Land Grant Contract.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	263,406	233,571	226,544	186,331	**104,963**
Loss for the year attributable to the owners of the Company	(9,538)	(116,546)	(88,546)	(77,463)	**(45,930)**

	At 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Assets and liabilities					
Total assets	423,204	302,568	313,172	451,398	**465,083**
Total liabilities	(230,928)	(223,442)	(228,314)	(425,675)	**(357,407)**
	192,276	79,126	84,858	25,723	**107,676**
Equity attributable to owners of the Company	192,276	79,126	84,858	25,723	**107,676**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zheng Chun
(Chairman and Chief Executive Officer)
Mr. Zheng Wei Chong
Mr. Zhang Xiu He
Mr. Xu Wen Cong
Mr. Cheung Man (appointed on 11 September 2009)

Non-executive Director

Mr. Ho Hao Veng

Independent Non-executive Directors

Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
Mr. Wei Tong Li (resigned on 16 July 2009)

AUTHORISED REPRESENTATIVES

Mr. Zheng Wei Chong
Miss. Tang Sze Ning

COMPANY SECRETARY

Miss. Tang Sze Ning (appointed on 15 June 2009)
Mr. Chu Kin Ming (resigned on 7 June 2009)

AUDIT COMMITTEE

Mr. Ma Kwai Yuen
Mr. Ho Hao Veng
Mr. Ang Siu Lun, Lawrence
Mr. Law Wing Tak, Jack
Mr. Wei Tong Li (resigned on 16 July 2009)

REMUNERATION COMMITTEE

Mr. Ho Hao Veng *(Chairman)*
Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
Mr. Zheng Wei Chong
(Appointed on 11 September 2009)
Mr. Wei Tong Li (Resigned on 16 July 2009)

NOMINATION COMMITTEE

Mr, Ang Siu Lun, Lawrence *(Chairman)*
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
Mr. Wang Zheng Chun
(Appointed on 11 September 2009)
Mr. Wang Shu (Resigned on 26 March 2009)
Mr. Wei Tong Li (Resigned on 16 July 2009)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

2389

WEBSITE

www.wangsing.com.cn

PRINCIPAL BANKERS

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Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Hang Seng Bank Limited

REGISTERED OFFICE

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Cayman Islands

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Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong