1. General

The Company is a listed public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Twinning Wealth Limited, incorporated in the British Virgin Islands.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries and associate are set out in notes 40 and 21, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is same as the functional currency of the Company.

2. Basis of Preparation of Consolidated Financial Statements

The Group has net current liabilities of approximately HK$64,201,000 as at 31 December 2006. The consolidated financial statements have been prepared on a going concern basis because the Directors believe that the Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

The Group relies on bank borrowings as a significant source of liquidity. Subsequent to the balance sheet date, the Group obtained bank loans amounting to HK$27,000,000 which were repayable in the year 2010. Furthermore, the Group has received a letter of intent from another bank indicating that the bank will grant a banking facility of HK$40,000,000 within the year 2007. In the opinion of the Directors, the cash flows from operations and available banking facilities will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due.

3. Application of New Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC)-INT 8	Scope of HKFRS 2 [4]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC)-INT 10	Interim financial reporting and impairment [6]
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions [7]
HK(IFRIC)-INT 12	Service concession arrangements [8]

1 Effective for accounting periods beginning on or after 1 January 2007.
2 Effective for accounting periods beginning on or after 1 January 2009.
3 Effective for accounting periods beginning on or after 1 March 2006.
4 Effective for accounting periods beginning on or after 1 May 2006.
5 Effective for accounting periods beginning on or after 1 June 2006.
6 Effective for accounting periods beginning on or after 1 November 2006.
7 Effective for accounting periods beginning on or after 1 March 2007.
8 Effective for accounting periods beginning on or after 1 January 2008.

4. Significant Accounting Policies

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

Basis of consolidation

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

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

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

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

4. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

Investments in associates

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1 January 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

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

Revenue recognition

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

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

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

4. Significant Accounting Policies (continued)

Property, plant and equipment

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

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

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

Construction in progress

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

Leasing

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

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

Leasehold land and building

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

Foreign currencies

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

4. Significant Accounting Policies (continued)

Foreign currencies (continued)

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

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

Borrowing costs

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

Retirement benefits costs

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

Taxation

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

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

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

4. Significant Accounting Policies (continue)

Taxation (continued)

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

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

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditures

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

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

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

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

Inventories

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

4. Significant Accounting Policies (continued)

Financial instruments

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

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables (including trade receivables, other receivables, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

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

4. Significant Accounting Policies (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Equity-settled share-based payment transactions

Share options granted to employees of the Group

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

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

Impairment

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

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

5. Key Sources of Estimation Uncertainty

Deferred taxation

As at 31 December 2006, the Group has not recognised any deferred tax assets in the consolidated balance sheet in relation to its estimated unused tax losses. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material deferred tax asset may be recognised, which would be credited to the consolidated income statement for the year. Details of unused tax losses not recognised amounted to approximately HK$69,700,000 (2005: HK$54,818,000) as disclosed in note 34.

5. Key Sources of Estimation Uncertainty (continued)

Allowances for bad and doubtful debts

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

Full allowances have been made against the trade receivables, loan receivable and dividend receivable from an associate. If the financial condition of the associate is improved in the future and the associate agrees to repay to outstanding debts, the allowances for doubtful debts previously charged to consolidated income statement will be reversed in the following period based on the cash eventually received from the associate.

6. Financial Instruments

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

Market risks

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. In addition, certain trade receivables, trade payables and bank borrowings of the Group are denominated in United States Dollars and Euro. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate other borrowings (see note 33 for details of these borrowings) and bank balances due to fluctuation of prevailing market rates. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Directors consider the Group's exposure to interest rate risk is not significant as the fixed-rate other borrowings are within short maturing period.

6. Financial Instruments (continued)

Market risks (continued)

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loan (see note 30 for details of these borrowings).

The management will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group has no significant concentration of credit risk with exposure spread over a number of customers, other than a customer whose outstanding trade receivable represents approximately of 47% of the total trade receivables as at 31 December 2006.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's bank balances are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

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. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The details of liquidity risk and banking facilities obtained after the balance sheet date are set out in note 2.

Fair value

The fair value of financial assets and financial liabilities carried at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. Turnover

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

8. Segment Information

Geographical segments

The Group is engaged in the manufacture and distribution of power tools, air tools and hand tools. The nature of the products and the production processes and the methods used to distribute the products to customers in different geographical locations are similar. The Directors consider that geographical segments by location of customers are the primary source of the Group's risk and returns.

Segment information by location of customers is as follows:

	2006 **HK$'000**	2005 HK$'000
Turnover		
Europe		
Germany	**42,821**	110,096
Other European countries	**152,177**	103,651
Total	**194,998**	213,747
Australia	**27,493**	29,453
North America and other continents	**11,080**	20,206
Total	**233,571**	263,406
Segment results		
Europe		
Germany	**(17,219)**	10,185
Other European countries	**7,832**	13,148
Total	**(9,387)**	23,333
Australia	**(87)**	2,157
North America and other continents	**282**	1,268
Total	**(9,192)**	26,758
Unallocated corporate income	**6,717**	8,645
Unallocated corporate expenses	**(105,129)**	(41,079)
Finance costs	**(7,329)**	(3,773)
Share of loss of an associate	**(2,563)**	(5)
Loss before taxation	**(117,496)**	(9,454)
Taxation	**950**	(81)
Loss for the year	**(116,546)**	(9,535)

8. Segment Information (continued)

Geographical segments (continued)

	2006 ***HK$'000***	2005 *HK$'000*
Segment assets		
Europe		
Germany	**9,260**	54,735
Other European countries	**17,835**	30,649
Total	**27,095**	85,384
Australia	**2,633**	5,640
North America and other continents	**30,058**	853
Segment assets	**59,786**	91,877
Unallocated assets	**242,782**	331,327
	302,568	423,204
Segment liabilities		
Europe		
Germany	**4,210**	4,379
Other European countries	**11,980**	24,173
Total	**16,190**	28,552
Australia	**4**	2,380
North America and other continents	**529**	178
	16,723	31,110
Unallocated liabilities	**206,719**	199,818
	223,442	230,928

Other information:

The assets and liabilities of the Group are located in the PRC including Hong Kong and Macau.

Allowances for trade receivables of HK$20,830,000 (2005: HK$298,000) are attributable to the customers located in Germany. The amount of allowance for the year ended 31 December 2006 is related to trade receivables due from an associate of the Group.

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

8. Segment Information (continued)

Business segments

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

Segment information about these businesses is presented below:

	Turnover by business segments	
	2006	2005
	HK$'000	*HK$'000*
Sales of power tools	**198,705**	217,393
Sales of air tools	**5,142**	18,876
Sales of hand tools	**10,257**	15,238
Others	**19,467**	11,899
	233,571	263,406

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

	Carrying amount of segment assets		Additions to intangible assets and property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of power tools	**147,403**	287,212	**17,178**	35,327
Sales of air tools	**9,775**	12,060	**807**	1,392
Sales of hand tools	**15,754**	13,325	**–**	734
Others	**2,191**	914	**–**	–
	175,123	313,511	**17,985**	37,453
Unallocated	**127,445**	109,693	**192**	142
	302,568	423,204	**18,177**	37,595

9. Other Income

	2006	2005
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**176**	4,139
Interest income from banks	**169**	198
Interest income from an associate	**263**	636
Exchange gain	**3,159**	–
Compensation income *(Note)*	**–**	2,415
Sundry income	**2,950**	1,257
	6,717	8,645

Note: During the year ended 31 December 2005, the Group received HK$2,415,000 from the other shareholders of an associate ("Shareholders") as a compensation because the associate managed by the Shareholders cannot meet the targeted sales agreed between the Group and the Shareholders.

10. Impairment Loss Recognised in Respect of Property, Plant and Equipment and Intangible Assets

During the year, the Directors of the Company reviewed the carrying amounts of the assets of the Group. In light of the current market conditions and change of the production plan, the Directors identified certain machinery and equipment, with an aggregate carrying amount of HK$7,451,000, and which were considered to to be fully impaired as at 31 December 2006. Furthermore, the Directors of the Company identified development and licence costs (included in intangible assets) amounting to HK$6,689,000 that are related to certain products ceased for production during 2006. Accordingly, these amounts have been fully impaired in the consolidated income statement for the current year.

11. Directors' emoluments

The emoluments paid or payable to each of the seven (2005: seven) directors were as follows:

Year ended 31 December 2006

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

Year ended 31 December 2005

	Executive Directors			Non-executive Director	Independent non-executive Directors			
	Ms. Chen Wai Yuk	Mr. Wang Shu	Ms. Chen Wai Wah	Mr. Ho Hao Veng	Mr. Wei Tong Li	Mr. Hui Chuen Fan, Matthew	Mr. Ang Siu Lun, Lawrence	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	100	40	140
Other emoluments:								
Salaries and other benefits	1,101	130	260	–	–	–	–	1,491
Contributions to retirement benefits scheme	12	7	12	–	–	–	–	31
Total emoluments	1,113	137	272	–	–	100	40	1,662

12. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2005: two) were Directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2005: three) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**2,218**	1,063
Contributions to retirement benefits scheme	**99**	30
Total emoluments	**2,317**	1,093

Their emoluments were within the following bands:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**2**	3
HK$1,000,000 to HK$1,500,000	**1**	–
	3	3

During the years ended 31 December 2006 and 2005, 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 2006 and 2005.

13. Finance Costs

	2006 **HK$'000**	2005 *HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**6,956**	3,773
Other borrowings	**373**	–
	7,329	3,773

14. Taxation

	2006 **HK$'000**	2005 *HK$'000*
Current tax		
Land appreciation tax ("LAT") in the PRC	**–**	1,700
Overprovision of PRC income tax in prior years	**–**	(1,649)
Overprovision of LAT in the PRC	**(950)**	–
	(950)	51
Deferred taxation on undistributed earnings of an associate *(note 34)*	**–**	30
	(950)	81

Pursuant to the relevant laws and regulations to the PRC, certain subsidiaries of the Company incorporated in the PRC are exempted from PRC income tax for two years starting from their first-making year, followed by a 50% reduction for the next three years. No provision for PRC income tax has been made in the consolidated financial statements as all of these PRC subsidiaries incurred tax losses for the year.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12, dated 18 October 1999, a subsidiary of the Company, Gerrads (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 relevant income tax in Macau has been made in the consolidated financial statements.

14. Taxation (continued)

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulation of the PRC on 13 December 1993, all gains arising from transfer of real estate property in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure.

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

Deferred tax charged to the consolidated income statement in the prior year represented the withholding tax on the undistributed earnings of the associate shared by the Group.

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

	2006	2005
	HK$'000	HK$'000
Loss before taxation	**(117,496)**	(9,454)
Tax at PRC income tax rate of 33% (2005: 33%)	**(38,774)**	(3,120)
Tax effect of expenses not deductible for tax purpose	**46,611**	15,153
Tax effect of income not taxable for tax purpose	**(12,900)**	(15,197)
Tax effect of tax losses not recognised	**4,911**	6,772
Tax effect of share of loss of an associate	**11**	2
Effect of tax exemption granted to a Macau subsidiary	**141**	(1,910)
Overprovision in respect of prior years	**(950)**	(1,649)
	(950)	51

15. Loss for the Year

	2006 HK$'000	2005 HK$'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**12,914**	8,508
Amortisation of intangible assets (included in cost of sales)	**1,837**	1,826
Release of prepaid lease payments	**21**	21
Directors' emoluments *(note 11)*	**1,666**	1,662
Other staff costs	**10,366**	12,086
Contributions to retirement benefit schemes for other staff	**1,562**	1,889
Total staff costs	**13,594**	15,637
Auditors' remuneration	**1,305**	1,052
Net foreign exchange loss	**–**	1,419
Research and development expenditure	**893**	791
Allowances for other receivables (included in administrative expenses)	**10,144**	–
Allowances for trade receivables (included in administrative expenses)	**–**	298
Cost of inventories recognised as expenses	**199,291**	222,177
Write-down on obsolete inventories (included in cost of sales)	**5,769**	–
Share of tax of an associate (included in share of loss of an associate)	**–**	358

16. Dividends

	2006 HK$'000	2005 HK$'000
Dividends paid		
Interim dividend paid for six months ended 30 June 2005	–	2,997
Final dividend paid for year ended 31 December 2004	–	5,044
	–	8,041

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006.

17. Loss Per Share

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$116,546,000 (2005: loss of HK$9,538,000) and on 374,640,000 (2005: 374,640,000) shares in issue. The computation of diluted loss per share for the year ended 31 December 2006 does not assume the exercise of potential ordinary shares as their exercise would result in reduction in loss per share for the year ended 31 December 2006.

18. Property, Plant and Equipment

	Buildings	Construction in progress	Plant and machinery	Moulds	Leasehold improve-ments, 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 2005	50,150	45,050	28,418	5,729	6,425	2,130	2,646	140,548
Exchange adjustments	965	866	546	38	74	25	45	2,559
Additions	10,002	3,267	829	12,592	173	548	370	27,781
Disposals	(6,037)	–	(33)	(329)	(310)	–	(185)	(6,894)
Transfer	1,990	(47,050)	43,702	–	1,318	40	–	–
At 31 December 2005	57,070	2,133	73,462	18,030	7,680	2,743	2,876	163,994
Exchange adjustments	2,005	74	2,581	116	56	57	93	4,982
Additions	309	2,018	3,870	6,184	850	727	156	14,114
Disposals	(1,439)	(1,054)	(22)	–	(498)	–	(1,118)	(4,131)
Transfer	1,068	(1,068)	–	–	–	–	–	–
At 31 December 2006	59,013	2,103	79,891	24,330	8,088	3,527	2,007	178,959
DEPRECIATION AND IMPAIRMENT LOSS								
At 1 January 2005	2,890	–	4,181	2,449	4,784	941	1,260	16,505
Exchange adjustments	62	–	116	30	51	10	25	294
Charge for the year	1,078	–	3,732	2,081	721	424	472	8,508
Elimination on disposals	(440)	–	(13)	(278)	(279)	–	(157)	(1,167)
At 31 December 2005	3,590	–	8,016	4,282	5,277	1,375	1,600	24,140
Exchange adjustments	126	–	428	45	18	30	45	692
Charge for the year	275	–	4,503	5,780	1,424	445	487	12,914
Impairment loss recognised in the consolidated income statement	–	–	3,818	3,633	–	–	–	7,451
Elimination on disposals	(562)	–	(2)	–	(459)	–	(955)	(1,978)
At 31 December 2006	3,429	–	16,763	13,740	6,260	1,850	1,177	43,219
CARRYING VALUES								
At 31 December 2006	55,584	2,103	63,128	10,590	1,828	1,677	830	135,740
At 31 December 2005	53,480	2,133	65,446	13,748	2,403	1,368	1,276	139,854

18. Property, Plant and Equipment (continued)

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

Buildings	Over the unexpired lease terms
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.

19. Prepaid Lease Payments

All the Group's prepaid lease payments comprise property interests in medium-term leasehold land in the PRC and are amortised over the term of relevant lease with a range from 30 to 50 years.

20. Intangible Assets

	Development costs HK$'000	Patents, trademark, licences and manufacture know-how HK$'000	Total HK$'000
COST			
At 1 January 2005	–	9,319	9,319
Additions	5,493	4,321	9,814
At 31 December 2005	5,493	13,640	19,133
Exchange adjustments	192	152	344
Additions	2,967	1,096	4,063
At 31 December 2006	**8,652**	**14,888**	**23,540**
AMORTISATION AND IMPAIRMENT LOSS			
At 1 January 2005	–	621	621
Charge for the year	291	1,535	1,826
At 31 December 2005	291	2,156	2,447
Exchange adjustments	116	44	160
Charge for the year	497	1,340	1,837
Impairment loss recognised in the consolidated income statement	5,500	1,189	6,689
At 31 December 2006	**6,404**	**4,729**	**11,133**
CARRYING VALUES			
At 31 December 2006	**2,248**	**10,159**	**12,407**
At 31 December 2005	5,202	11,484	16,686

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

20. Intangible Assets (continued)

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

Development costs	5 years
Patents, trademark, licences, and manufacture know-how	5 to 15 years

21. Interest in an Associate

	2006 *HK$'000*	2005 *HK$'000*
Cost of investment in an unlisted associate	**12,473**	12,473
Share of post-acquisition results and reserves, net of dividends received	**(2,675)**	(747)
Impairment loss recognised	**(9,798)**	–
	–	11,726

At 31 December 2006, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation and operation	Class of shares held	Proportion of issued share capital held by the Group	Proportion of voting power held	Nature of business
SBW Technische Gerate GmbH ("SBW")	Incorporated	Germany	Ordinary	50%	50%	Distribution of power tools

21. Interest in an Associate (continued)

The summarised financial information in respect of the Group's associate, based on its unaudited management accounts for the year ended 31 December 2006 and audited financial statements for the year ended 31 December 2005, is set out below:

	2006	2005
	HK$'000	*HK$'000*
Non-current assets	**351**	202
Current assets	**96,735**	79,037
Current liabilities	**(101,734)**	(79,167)
Net (liabilities) assets	**(4,648)**	72
Group's share of net assets of the associate	**–**	36
Turnover	**70,419**	149,009
Loss for the year	**(5,126)**	(10)
Group's share of loss of the associate for the year	**(2,563)**	(5)

As at 31 December 2006, the interest in SBW before impairment loss recognised in respect of cost of investment and allowance for doubtful debts comprises:

	HK$'000
Cost of investment	**12,473**
Loans thereto *(note 26)*	**18,142**
Outstanding trade receivables *(note 25)*	**20,830**
Outstanding dividend receivable *(note 24)*	**741**
	52,186

21. Interest in an Associate (continued)

The Group was a major power tools supplier of SBW. Since January 2007, SBW refused to settle the outstanding balances due to the Group. The Group had no other alternatives but to terminate the supplies of goods to SBW and therefore a number of arguments and disputes existed among the shareholders of SBW. Furthermore, the other shareholders of SBW do not allow the Group to gain full access to the books and records of SBW. The Group has been seeking legal advices from a legal firm in Germany and is negotiating with the other shareholders of SBW for the settlement of the aforesaid dispute.

The Group has no other legal or constructive obligations in respect of the investment in SBW.

Having reviewed the financial condition of SBW and the dispute as mentioned above, the Directors believe it is uncertain that the Group is able to recover the investment cost and the outstanding receivables from SBW. The management of the Group decides to make full allowance on all outstanding receivables due from SBW. Furthermore, an impairment of goodwill in relation to investment in SBW amounting to HK$9,798,000 was recognised in the consolidated income statement.

22. Inventories

	2006	2005
	HK$'000	*HK$'000*
Raw materials	**11,365**	19,110
Work in progress	**10,747**	10,533
Finished goods	**6,858**	7,610
	28,970	37,253

23. Trade and Other Receivables

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

23. Trade and Other Receivables (continued)

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

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**21,804**	20,968
Between 31 to 60 days	**18,856**	15,307
Between 61 to 90 days	**5,585**	3,866
Between 91 to 120 days	**9,552**	5,749
Over 120 days	**1,018**	5,857
Trade receivables	**56,815**	51,747
Other receivables	**29,455**	31,939
	86,270	83,686

As at 31 December 2005, the Group has pledged trade receivables of HK$19,813,000 to secure general banking facilities granted to the Group.

	Original currency		**HK$ equivalent**	
	2006	2005	**2006**	2005
	(in thousands)	*(in thousands)*	***HK$'000***	*HK$'000*
Trade receivables denominated in:				
Euros	**2,734**	1,074	**27,939**	9,913

24. Dividend Receivable from an Associate

	2006	2005
	HK$'000	*HK$'000*
Dividend receivable	**741**	668
Less: allowance for doubtful debt *(note 21)*	**(741)**	–
	–	668

25. Trade Receivables from an Association

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**20,830**	22,042
Less: allowance for doubtful debts *(note 21)*	**(20,830)**	–
	–	22,042

26. Loan to an Associate

	2006	2005
	HK$'000	*HK$'000*
Loan to an associate	**18,142**	17,075
Less: allowance for doubtful debt *(note 21)*	**(18,142)**	–
	–	17,075

27. Pledged Bank Deposits

As at 31 December 2005, the amounts represented deposits pledged to banks to secure bank facilities granted to the Group. The pledged bank deposit carried average interest rate of 2.5% per annum.

28. Bank Balances and Cash

The bank balances carried interest at prevailing interest rates. At 31 December 2006, the bank balances and cash of approximately HK$1,559,000 (2005: HK$28,090,000) were denominated in Renminbi which is not freely convertible into other currencies.

29. Trade and Other Payables

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

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**28,909**	42,549
Between 31 to 60 days	**3,622**	6,176
Between 61 to 90 days	**4,835**	5,107
Between 91 to 120 days	**3,163**	4,514
Over 120 days	**12,310**	4,228
Trade payables	**52,839**	62,574
Other payables	**19,204**	23,420
	72,043	85,944

30. Bank Borrowings

	2006	2005
	HK$'000	*HK$'000*
Unsecured bank loans	**134,670**	118,188
Secured bank loans	**–**	19,813
	134,670	138,001
Carrying amount repayable:		
On demand or within one year	**134,670**	125,501
More than one year, but not exceeding two years	**–**	12,500
	134,670	138,001
Less: Amounts due within one year shown under current liabilities	**(134,670)**	(125,501)
Amounts due after one year	**–**	12,500

30. Bank Borrowings (continued)

The exposure of the Group's fixed-rate borrowings is as follows:

	2006 HK$'000	2005 HK$'000
Within one year	–	48,630

All other borrowings are 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:

	2006	2005
Effective interest rates:		
Fixed-rate borrowings	N/A	5.2% to 6.3%
Variable-rate borrowings	HIBOR + 1.6% to 1.95%, LIBOR + 1.25% to 2%	HIBOR + 1.25% to 1.85%, LIBOR + 1.25% to 2%

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

	Original currency *(in thousands)*	*HK$'000*
Bank borrowings denominated in U.S. dollars:		
As at 31 December 2006	**10,206**	**79,323**
As at 31 December 2005	9,701	75,220
Bank borrowings denominated in Renminbi:		
As at 31 December 2006	**30,000**	**29,860**
As at 31 December 2005	20,000	19,231
Bank borrowings denominated in Euro dollars:		
As at 31 December 2006	**97**	**988**
As at 31 December 2005	–	–

31. Amounts Due to Directors

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

32. Share Capital

	Number of shares	**Value**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2005, 31 December 2005 and 31 December 2006	374,640,000	37,464

33. Other Borrowings

The amounts are unsecured, bear interest rate of 6% per annum and are repayable in full on 30 November 2008.

34. Deferred Taxation

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

	Undistributed earnings of an associate
	HK$'000
At 1 January 2005	1,917
Charge to consolidated income statement for the year	30
At 31 December 2005	1,947
Reclassify to tax payable	(1,947)
At 31 December 2006	–

34. Deferred Taxation (continued)

At the balance sheet date, the Group has estimated unused tax losses of HK$69,700,000 (2005: HK$54,818,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2011.

35. Operating Leases

	2006	2005
	HK$'000	*HK$'000*
The Group as lessee		
Minimum lease payments paid under operating leases during the year:		
– Office and factory premises	**575**	322

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**632**	563
In the second year	**234**	96
	866	659

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

36. Capital Commitments

	2006 HK$'000	2005 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**252**	1,846

37. Share-based Payment Transactions

Equity-settled share option scheme

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 Share Option Scheme became effective on 26 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 11 April 2002.

As at the date of this annual report, the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group is 17,990,000, representing 10% of the issued share capital of the Company as at the date of listing of the Company's shares on the Stock Exchange less share option issued during the year ended 31 December 2006. 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.

37. Share-based Payment Transactions (continued)

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

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

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

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

Category	Exercise price per share	Estimated fair value per share option at the date of grant	Exercisable period	Number of share options granted during the year and at 31 December 2006
	HK$	*HK$*		
Directors	0.2	0.0319	*note (i)*	2,310,000
Employee (category 1)	0.2	0.0339	*note (ii)*	2,000,000
Employees (category 2)	0.2	0.0330	*note (iii)*	11,300,000
				15,610,000
Exercisable at 31.12.2006				2,310,000

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

37. Share-based Payment Transactions (continued)

Equity-settled share-option scheme (continued)

Notes:

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

ii. The first 1,000,000 share options will be vested one year after the Grant Date. Of the remaining 1,000,000 share options, 500,000 will be vested in each of the second and third year after the Grant Date. The share options are exercisable once they become vested until the Expired Date.

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

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

	2006
Closing share price at the date of grant	**HK$0.2**
Exercise price	**HK$0.2**
Expected volatility	**56.77%**
Expected life	**2 years**
Risk-free rate	**4.289%**

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

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

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

38. Retirement Benefits Schemes

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

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

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

Total contributions to retirement benefits schemes charged to consolidated income statement amounted to HK$1,590,000 (2005: HK$1,920,000).

39. Related Party Transactions

During the year, the Group entered into the following transactions with related parties:

(a) During the year, the Group sold goods to an associate and earned interest income from an associate amounting to HK$18,328,000 (2005: HK$72,738,000) and HK$263,000 (2005: HK$636,000) respectively.

(b) The Directors of the Company considered that they are the only key management personnel of the Group. Their remuneration is set out in note 11.

40. Particulars of Subsidiaries at 31 December 2006

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Best Plan Investments Limited	Corporation	Samoa	Share US$1	–	100%	Investment holding
Chief Wealth International Corp.	Corporation	British Virgin Islands	Share US$1	–	100%	Investment holding
Dragon Castle International Ltd.	Corporation	Samoa	Share US$1	–	100%	Investment holding
Gerrards (Commercial Offshore de Macau) Ltd.	Offshore company	Macau	Quota capital MOP100,000	–	100%	Trading of power tools and air tools
Gerrards Agents Limited	Corporation	British Virgin Islands	Share US$1	–	100%	Investment holding
Glory In Group Limited	Corporation	British Virgin Islands	Shares US$50,000	–	100%	Investment holding
Haian Juquan Industry Company Limited	Wholly foreign owned enterprise ("WFOE")	PRC	Registered capital HK$48,000,000 *(Note b)*	–	100%	Inactive
Jiangsu Golden Harbour Enterprises Ltd.	WFOE	PRC	Registered capital US$12,000,000	–	100%	Manufacture and distribution of power tools
Jiangsu Newairy Technology Ltd.	WFOE	PRC	Registered capital US$2,600,000 *(Note a)*	–	100%	Manufacture and distribution of air tools

40. Particulars of Subsidiaries at 31 December 2006 (continued)

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Rainy Company Inc.	Corporation	British Virgin Islands	Share US$1	–	100%	Investment holding
Rheinkraft SPRL	Corporation	Belgium	Shares Euro20,000	–	100%	Inactive
SBW (Hong Kong) Limited	Corporation	Hong Kong	Ordinary shares HK$100	–	100%	Inactive
Suzhou Dong Xin Tools Co., Ltd.	Sino-foreign equity joint venture	PRC	Registered capital US$556,000	–	91%	Manufacture and distribution of power tools
Suzhou Rheinkraft Tools Company Limited	WFOE	PRC	Registered capital US$500,000	–	100%	Manufacture and distribution of power tools
Taiwan Wang Sing International Technology Company Limited	Corporation	Taiwan	Registered capital NTD10,000,000	–	100%	Research and development of power and air tools
Talent Power Investments Ltd.	Corporation	Samoa	Share US$1	–	100%	Investment holding
Twin Capital Limited	Corporation	British Virgin Islands	Shares US$50,000	–	100%	Investment holding
United Win International Corporation	Corporation	British Virgin Islands	Shares US$100	100%	–	Investment holding

40. Particulars of Subsidiaries at 31 December 2006 (continued)

Name	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Wang Sing Enterprises Co. Ltd.	Corporation	Hong Kong	Ordinary shares HK$10,000	–	100%	Inactive
Wang Sing Industrial Limited	Corporation	Hong Kong	Ordinary shares HK$10,000	–	100%	Investment holding
Wang Sing Products Limited	Corporation	Hong Kong	Ordinary shares HK$1,000,000	–	100%	Trading of power tools and air tools
Wealth Code Inc.	Corporation	British Virgin Islands	Shares US$50,000	–	100%	Investment holding
World Wisdom Industrial Limited	Corporation	British Virgin Islands	Share US$1	–	100%	Trading of merchandise
Worldwide Chain Limited	Corporation	British Virgin Islands	Share US$1	–	100%	Investment holding

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

Notes:

(a) The paid up capital was US$1,150,000 at 31 December 2006.

(b) The paid up capital was HK$32,000,000 at 31 December 2006.