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)

(Stock Code: 2389)

(I) PRELIMINARY ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008
(II) APPOINTMENT OF CHIEF EXECUTIVE OFFICER

(I) ANNUAL RESULTS

The board of directors (the "Board") of Wang Sing International Holdings Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively the "Group") prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended 31 December 2008, together with the comparative figures for the year 2007, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

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

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**99,460**	131,401
Prepaid lease payments		**879**	950
Intangible assets		**3,398**	2,679
		103,737	135,030
Current assets			
Inventories		**13,221**	19,308
Properties under development held for sale		**226,206**	–
Trade and other receivables	*11*	**61,271**	89,404
Deposits and prepayments		**6,013**	41,094
Prepaid lease payments		**129**	121
Pledged bank deposits		**2,285**	–
Bank balances and cash		**38,536**	28,215
		347,661	178,142
Current liabilities			
Trade and other payables	*12*	**66,780**	73,894
Deposits and accrued expenses		**7,932**	4,582
Bank borrowings		**27,832**	119,997
Loans from related companies		**18,943**	–
Conversion option embedded in convertible note	*13*	**32,788**	–
		154,275	198,473
Net current assets (liabilities)		**193,386**	(20,331)
Total assets less current liabilities		**297,123**	114,699
Capital and reserves			
Share capital		**52,997**	49,497
Reserves		**(27,274)**	35,361
Total equity		**25,723**	84,858
Non-current liabilities			
Convertible note	*13*	**164,454**	–
Loans from related companies		**106,946**	–
Amount due to a director		**–**	19,162
Other borrowings		**–**	10,679
		271,400	29,841
		297,123	114,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Company acts as an investment holding company.

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

Subsequent to the balance sheet date, the Group obtained new banking facilities amounting to HK$14,740,000 which will be repayable in March 2010. In April 2009, the Company obtained a new advance of HK$15,874,000 from a related company in which the advance is unsecured, interest free and repayable in 2010.

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values, 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.

4. 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:

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Europe	**161,226**	193,409
Other continents	**25,105**	33,135
Total	**186,331**	226,544
Segment results		
Europe	**10,769**	6,159
Other continents	**1,987**	531
Total	**12,756**	6,690
Unallocated corporate income	**16,618**	18,220
Unallocated corporate expenses	**(87,767)**	(107,166)
Finance costs	**(19,070)**	(8,237)
Loss before tax	**(77,463)**	(90,493)
Income tax credit	**–**	1,947
Loss for the year	**(77,463)**	(88,546)

	2008	2007
	HK$'000	*HK$'000*
Segment assets		
Europe	**40,673**	77,807
Other continents	**25,157**	21,296
	65,830	99,103
Properties under development held for sale in the PRC	**226,206**	–
Property, plant and equipment	**99,460**	131,401
Segment assets	**391,496**	230,504
Unallocated assets	**59,902**	82,668
	451,398	313,172
Segment liabilities		
Europe	**30,432**	11,063
Other continents	**1,200**	88
Segment liabilities	**31,632**	11,151
Unallocated liabilities	**394,043**	217,163
	425,675	228,314

Other information:

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

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

Business segments

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

Segment information about these businesses is presented below:

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

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

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

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

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

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

In the impairment assessment, a zero-growth rate is used and a discount rate of 14% is used which, in management's view, represents the rate that the market would expect on an investment of equivalent risk. To the extent that the carrying amount exceeds the recoverable amount, an impairment loss has been recognised in respect of the affected property, plant and equipment and intangible assets.

6. FINANCE COSTS

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

7. INCOME TAX CREDIT

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

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

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under New Law and Implementation Regulation the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

In accordance with the tax legislations applicable to foreign investment enterprises, a subsidiary in the PRC is entitled to exemption from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation and thereafter, is entitled to a 50% relief from the PRC income tax for the following three years.

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

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

8. LOSS FOR THE YEAR

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

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of the Group of HK$77,463,000 (2007: loss of HK$88,546,000) and on the weighted average number of ordinary share in issue of 511,175,000 (2007: 398,772,000) shares in issue. The computation of diluted loss per share for the year ended 31 December 2008 and 2007 does not assume the conversion of the Company's outstanding convertible note as their exercise would result in reduction in loss per share for the year ended 31 December 2008 and 2007.

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

11. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, at the balance sheet date:

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

12. TRADE AND OTHER PAYABLES

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

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

13. CONVERTIBLE NOTE

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

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

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

	Liability component *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

BUSINESS REVIEW

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

For year 2008, the revenue and loss attributable to shareholders of the Group were HK$186,331,000 and HK$77,463,000 respectively, represented a decrease of 18% and 13% as compared with that of 2007. During 2008, power tools remained the main source of revenue, and the details of segment information are set out in note 4 to the consolidated financial statement.

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

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

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

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

On 15 July 2008, a subsidiary of the Company acquired the entire issued share capital of Anhui Jin Wang Investment Development Company Limited, a company which is wholly owned by Mr. Wang Zheng Chun, the executive director and deemed substantial shareholder of the Group, at a consideration of approximately HK$204,950,000. The consideration has been satisfied by convertible note and 35,000,000 share of the Company. The details of convertible note are set out in Note 13 to the consolidated financial statements. The principal asset of the subsidiary is its entire interest in another subsidiary, which has a deposit for the acquisition of a parcel of land located in Shanghai, the PRC with a site area of around 57,045 square meters.

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

FINANCIAL REVIEW

Revenue and Profit Analysis

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

Revenue Breakdown by Products and Geographical Locations

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

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

Gross Profit and Margin Analysis

For the year ended 31 December 2008, the Group's gross profit increased from approximately HK$6,690,000 in 2007 to approximately HK$12,756,000. The low level of gross profit was mainly due to the continuous increase in the prices of commodity and raw materials, among which the increase in the prices of metals such as copper, iron, steel and nickel soared to their historic heights over the past years. The prices of rubber and other materials also stayed at high levels.

Liquidity and Gearing Ratio

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

Capital Expenditure

The Group's capital expenditure in 2008 was approximately HK$5.7 million (2007: HK$47.5 million), expenditure for development of mould amounted to HK$3.4 million (2007: HK$4.4 million).

The major infrastructure of the Group's PRC production base was completed. There is no need to inject a great sum of capital for the construction of production plants in short term. The expected capital expenditure of the Group in 2009 will be approximately HK$10 million, of which expenses for development of mould amounted to HK$5 million and R&D expenses and licences fee amounted to HK$5 million.

Working Capital Analysis

For the year ended 31 December 2008, the Group's trade debtors' turnover days were 120 days (2007: 108 days). The account payables turnover days were 124 days (2007: 93 days) and the inventory turnover days were 27 days (2007: 40 days).

Capital Structure

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

Pledge of Assets

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

Contingent Liabilities

At 31 December 2008, the Group did not have any material contingent liabilities (2007: nil).

Exposure to Foreign Exchange Risks

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

Employee Benefits and Training

For the year ended 31 December 2008, the Group had approximately 421 employees, of which, 60 employees were management staff and 78 employees were engineers and the total staff cost (including directors' emoluments amounted to approximately HK$19,410,000 (2007: HK$13,002,000).

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

PROSPECT

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

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

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

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion on corresponding figures

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

Qualified opinion on corresponding figures

In our opinion, except for the effect on the corresponding figures for 2007 of such adjustment, if any, to the results of operations for the year ended 2007, which might have been determined to be necessary had we been able to obtain sufficient information concerning the matters as described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REVIEW OF FINANCIAL INFORMATION

Disclosure of financial information in this preliminary announcement complies with Appendix 16 of the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Audit Committee has reviewed with senior management of the Group and Messrs. Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Company and has discussed internal controls and financial reporting matters, including the review of the audited financial statements of the Company for the year ended 31 December 2008. The Board acknowledges its responsibility for the preparation of the accounts of the Company.

SCOPE OF AUDITOR'S WORK

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, except with the deviation from code provision A.4.1 as stated below:

According to the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term of service. None of the independent non-executive directors have entered into an appointment letter with the Company for a specific term of service but their appointment is subject to retirement by rotation and offers themselves for re-election in accordance with the Articles of Association of the Company.

According to the code provision A2.1 of the CG Code, the roles of the chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. As announced below, Mr. Wang Zheng Chun, the Chairman of the Company has been appointed as the Chief Executive Officer of the Company with effect from 22 April 2009, and the code provision A.2.1 of the CG Code has not been complied.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company confirms that, after specific enquiry with each Director, all Directors have confirmed compliance with the Model Code during the year ended 31 December 2008.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2008.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2008 will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

(II) APPOINTMENT OF CHIEF EXECUTIVE OFFICER

The Board is pleased to announce that Mr. Wang Zheng Chun, the Chairman of the Company, has been appointed as Chief Executive Officer of the Company with effect from 22 April 2009 since the Board considered that Mr. Wang has in-depth knowledge and experience, therefore he is the most appropriate person to take up the role of Chief Executive Officer. While the Board will review from time to time and if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group suitable as the Chief Executive Officer, the Company may make necessary arrangements. Mr. Wang will be entitled to an annual remuneration of HK$1,560,000 and his remuneration has been reviewed by the Remuneration Committee and was determined with reference to his qualifications, experience, duties and responsibilities within the Group as well as the prevailing market conditions.

By order of the Board
Wang Zheng Chun
Chairman

Hong Kong, 22 April 2009

As at the date of this announcement, the board of Directors comprises four executive Directors, namely Mr. Wang Zheng Chun, Mr. Zheng Wei Chong, Mr. Xu Wen Cong and Mr. Zhang Xiu He, one non-executive Director, namely Mr. Ho Hao Veng and four independent non-executive Directors, Mr. Wei Tong Li, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack.