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)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (the "Board") of Wang Sing International Holdings Group Limited (the "Company") announces the audited 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 2009, together with the comparative figures for the year 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Revenue		**104,963**	186,331
Cost of sales		**(95,023)**	(173,575)
Gross profit		**9,940**	12,756
Other income	5	**6,621**	5,662
Selling and distribution expenses		**(6,814)**	(13,175)
Administrative expenses		**(41,931)**	(51,399)
Impairment loss recognised in respect of property, plant and equipment		**–**	(23,192)
Fair value gain on conversion option embedded in convertible note	13	**14,486**	8,341
Reversal of allowance for amounts receivable from an associate disposed of in previous years		**–**	2,614
Finance costs	6	**(28,232)**	(19,070)
Loss for the year	8	**(45,930)**	(77,463)
Other comprehensive (expense) income			
Exchange differences arising on translation		**(36)**	2,509
Total comprehensive expense for the year		**(45,966)**	(74,954)
Loss per share – basic and diluted (HK cents)	10	**(4.3)**	(11.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Property, plant and equipment		**95,263**	99,460
Prepaid lease payments		**24,453**	879
Intangible assets		**4,260**	3,398
		123,976	103,737
Current assets			
Inventories		**12,994**	13,221
Properties under development held for sale		**236,111**	226,206
Trade and other receivables	11	**56,093**	67,284
Prepaid lease payments		**711**	129
Pledged bank deposits		**–**	2,285
Bank balances and cash		**35,198**	38,536
		341,107	347,661
Current liabilities			
Trade and other payables	12	**34,525**	66,780
Deposits and accrued expenses		**6,251**	7,932
Bank borrowings		**43,157**	27,832
Loans from related companies		**43,684**	18,943
Conversion option embedded in convertible note	13	**18,302**	32,788
Liability component of convertible note	13	**188,774**	–
		334,693	154,275
Net current assets		**6,414**	193,386
Total assets less current liabilities		**130,390**	297,123
Capital and reserves			
Share capital		**168,991**	52,997
Reserves		**(61,315)**	(27,274)
Total equity		**107,676**	25,723
Non-current liabilities			
Liability component of convertible note	13	**–**	164,454
Loans from related companies		**–**	106,946
Deferred income		**22,714**	–
		22,714	271,400
		130,390	297,123

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(iv) In relation to the convertible note held by Mr. Wang (see note 13), in March 2010, Mr. Wang entered into an undertaking with the Company that he agreed to grant a new loan to the Company, should he select redemption of the convertible note, upon the receipt of the redemption money of the convertible note at 104% of the principal amount on 15 July 2010. The loan would be unsecured, interest free and repayable in one year.

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

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

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

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

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

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

HKAS 1 (Revised 2007) Presentation of Financial Statements

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 4). However, it does not result in changes in the basis of measurement of segment profit or loss.

HKAS 32 (Amendment) Classification of Rights Issues

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

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

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

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

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

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 July 2010.

[5] Effective for annual periods beginning on or after 1 January 2011.

[6] Effective for annual periods beginning on or after 1 January 2013.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SEGMENT INFORMATION

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

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

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

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

For the year ended 31 December 2009

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

For the year ended 31 December 2008

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

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries and finance costs. Cost of sales for each geographical location of Manufacturing and Trading segment is allocated on the basis of the revenue earned by each segment.

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

Other segment information

For the year ended 31 December 2009

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

For the year ended 31 December 2008

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

Revenue from major products

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

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

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

Information about major customers

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

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

5. OTHER INCOME

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

6. FINANCE COSTS

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

7. TAXATION

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

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

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

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

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

8. LOSS FOR THE YEAR

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

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: 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$45,930,000 (2008: HK$77,463,000) and on the weighted average number of ordinary shares in issue of approximately 1,069,962,000 (2008: 657,225,000) shares in issue.

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

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

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

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, presented based on the invoice date at the end of the reporting period:

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

12. TRADE AND OTHER PAYABLES

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

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

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 to Grand Vision Group Limited which is wholly owned by Mr. Wang as part of considerations paid for the acquisition of assets through purchase of a subsidiary. The convertible note is denominated in Hong Kong dollars. The note entitles the holders to convert it into ordinary shares of the Company at any time between the date of having obtained the state-owned land use rights certificate and the physical possession and actual occupation in respect of the property in the name of Shanghai Zhuanfeng Land and Building Development Limited and its settlement date on 15 July 2010 at a conversion price of HK$0.46 per share, which is subsequently adjusted to HK$0.29 per share as a result of Open Offer in July 2009. If the convertible note has not been converted, they will be redeemed on 15 July 2010 at 104% of the principal amount.

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

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

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

The fair value of conversion option embedded in the convertible note was based on the Black-Scholes pricing model using a rate based on the stock price as at 31 December 2009, exercise price of HK$0.29 regarding the adjustment to the conversion price of the convertible note, expected volatility of the shares of the Company, market risk-free rate of 0.17%, remaining option life and dividend yield.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Property development

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

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

Power, air and hand tools

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

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

As people in European and American countries are enthusiastic about DIY, and the economic environment there is recovering gradually, both the Europe and North America will be the main engines for driving the growth of the exports of the power tools for a long period of time. In addition, the professional tool users still accounted for over 60% of the overall power tools market in 2009. As professional power tools are of higher grade and added value, it is expected that professional power tools will continue to secure 70% market share of professional tools in 2010.

BUSINESS REVIEW

Property development

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

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

Power, air and hand tools

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

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

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

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

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

FINANCIAL REVIEW

Revenue and Profit Analysis

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

Revenue Breakdown by Products and Geographical Locations

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

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

Gross Profit and Margin Analysis

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

Liquidity and Gearing Ratio

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

Capital Expenditure

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

Working Capital Analysis

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

Capital Structure

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

Pledge of Assets

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

Contingent Liabilities

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

Exposure to Foreign Exchange Risks

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

Employee Benefits and Training

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

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

OUTLOOK

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

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

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

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

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

SCOPE OF AUDITOR'S WORK

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 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 is committed to maintaining high standards of corporate governance. Corporate governance requirements keep changing, therefore the Board periodically reviews the corporate governance practices of the Company to meet the rising expectations of the shareholders and comply with the increasingly stringent regulatory requirements. Throughout the year under review, the Company has complied with provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in the Appendix of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations as listed below:

Code Provision A.2.1

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

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

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

Code Provision A.4.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2009.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2009 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.

By order of the Board
Wang Zheng Chun
Chairman

Hong Kong, 22 April 2010

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