Annual Report 2007

Powerful Brands
Innovative Products
Exceptional People
Operational Excellence

Stock Code: 669

A Leadership Platform

TTI is a world-class leader in quality consumer and professional products marketed to the home improvement and construction industries. An unrelenting strategic focus on powerful brands, innovative products and exceptional people drives our success.

TTI's powerful brand portfolio includes Milwaukee®, AEG® and Ryobi® power tools and accessories, Ryobi® and Homelite® outdoor products, and Hoover®, Dirt Devil® and Vax® floor care appliances. Our products are distributed through major home centers and retailers, full-line tool distributors and other channels worldwide.

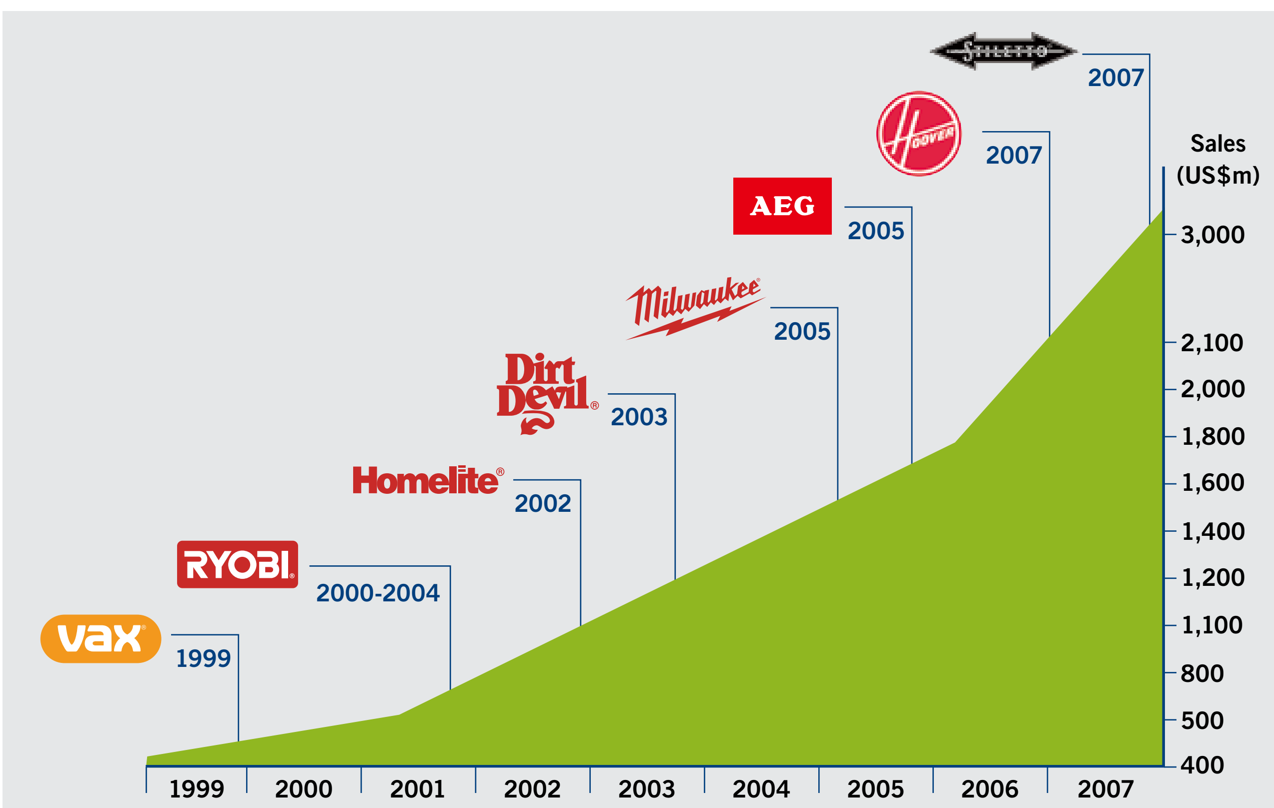
Our culture of innovation, firm commitment to R&D and extensive customer insight ensure our leading brands and high-quality products meet the specific needs of the customers, consumers and professionals that we serve and deliver long-term value to our shareholders.

Contents

Financial Highlights

	2007 HK$ m	2006 HK$ m	2007 US$ m	2006 US$ m	Changes %
Operations					
Turnover	**24,775**	21,823	**3,176**	2,798	+13.53%
Gross profit	**7,809**	6,893	**1,001**	884	+13.29%
EBITDA	**1,219**	2,098	**156**	269	-41.90%
EBITDA (before restructuring costs and other restructuring and transition costs)	**1,962**	2,098	**252**	269	-6.48%
Profit attributable to equity holders of the parent	**125**	1,072	**16**	137	-88.34%
Profit attributable to equity holders of the parent (before restructuring costs and other restructuring and transition costs)	**868**	1,072	**111**	137	-19.03%
Basic earnings per share (HK/US cents)	**8.41**	73.18	**1.08**	9.38	-88.51%
Basic earnings per share (HK/US cents, before restructuring costs and other restructuring and transition costs)	**58.27**	73.18	**7.47**	9.38	-20.37%
Dividend per share (HK/US cents)	**8.00**	19.10	**1.03**	2.45	-58.12%
Financial position at year end					
Total assets	**24,969**	21,320	**3,201**	2,733	+17.12%
Net current assets	**2,971**	5,642	**381**	723	-47.34%
Equity attributable to equity holders of the parent	**6,920**	6,997	**887**	897	-1.10%
Capital expenditure	**860**	473	**110**	61	+81.82%
Net book value per share (HK$/US$)	**4.61**	4.78	**0.59**	0.61	-3.56%

TTI's Growth Continues



Chairman's Statement

2007 Performance Highlights

- Record Sales
- Growth in Power Tools and Floor Care
- Gross Margin Strengthened in Core Business
- Hoover Integration Completed
- Strategic Repositioning Plan on Track

Record Sales

TTI Group achieved record sales in 2007 of HK$24.8 billion, 13.5% over the prior year. This growth has been achieved in a challenging macroeconomic environment in the United States as we begin to see the rewards from the Group's strategic acquisitions and restructuring.

During the year, we strengthened our market leadership position in North America as Hoover and Stiletto joined our powerful brand portfolio. Strong growth momentum was maintained in Europe and with the appointment of a new management team there, as well as in the Middle East, Canada, Latin America, and Australia, we are positioned for continued growth in our international operations. We also took steps to develop the best management talent within TTI by introducing our college recruiting activities and "Leadership Development Program."

Growth in Power Tools and Floor Care

The 2007 sales increase was aided by an 11 months contribution of the Hoover acquisition. Our Floor Care business expanded 67.8% with the acquisition, and the core Floor Care business maintained positive underlying momentum, growing at a mid single-digit rate. New innovative products boosted our Power Tool business delivering low single-digit growth in both professional and consumer segments. We exited non-strategic businesses in the Outdoor Products category, resulting in an overall decline of sales in the Power Equipment division.

"The hard work from the Hoover integration and the Strategic Repositioning Plan are positioning TTI for profitable growth."

Horst Julius Pudwill
Chairman

Chairman's Statement

Gross Margin Strengthened in Core Business

The Company delivered an improved gross margin for the core business in a difficult cost environment. With Hoover, our consolidated gross margin of 31.5% was comparable to 31.6% in the prior year. The introduction of new products, ongoing programs for cost containment, leveraging our scale, and improved operational efficiencies offset rising commodity prices and inflationary pressures.

Investing in Marketing and R&D

The operating margin before restructuring and transition costs narrowed in 2007 due to the acquisition and the planned investment increase in sales, marketing, and R&D activities. We expect the SG&A spend will support stronger and more profitable growth going forward. Our product innovation stream will benefit from the increase in R&D spending from 2.0% in 2006 to 2.2% in 2007 of sales.

Strategic Repositioning Plan on Track

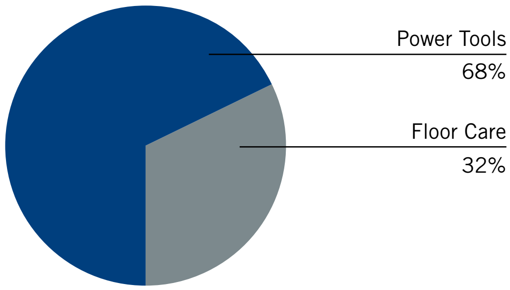
The Strategic Repositioning Plan, which we announced in August 2007, is an important initiative for the future growth and profitability of the Company.

HK$743.02 million of restructuring and transition costs were charged against 2007 earnings. These included the costs to close Hoover's North Canton, Ohio manufacturing facility and relocate manufacturing to Texas, Mexico, and China, plus the closure of two Milwaukee manufacturing facilities in North America. We are anticipating annual savings of approximately HK$550 million (US$70 million) resulting from the restructuring activities when completed.

Profit attributable to equity holders of the parent for 2007 totaled HK$125.26 million after restructuring and transition costs. Before restructuring and transition costs, earnings per share was HK58.27 cents. EPS after restructuring and transition costs was HK8.41 cents.

The Directors have recommended a final dividend of HK1.50 cents per share for the year ended December 31, 2007 (2006: HK 12.60 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 30, 2008. Subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, the proposed final dividend is expected to be paid on or about July 31, 2008. This payment, together with the interim dividend of HK6.50 cents per share paid (2006: HK6.50 cents) on September 28, 2007, makes a total payment of HK8.00 cents per share for 2007 (2006: HK19.10 cents).

Sales by Product



New Product Focus on Cordless Power Tools

Our Power Tools and Accessories business experienced stronger second half growth in 2007. This was due to the successful launch of new lithium ion battery cordless tools and strong sales in Europe. Milwaukee improved against prior year in the second half and AEG continued its solid expansion. Sales of Ryobi branded consumer tools benefited from the launch in the second half of the green lithium battery line of tools, along with the continuing success of the One+System. We are driving product development in all businesses through our "Strategic Business Unit" (SBU) process that has established global platforms and directs development to the highest-impact programs.

Hoover Integration Completed

The Floor Care business achieved positive sales growth in 2007 from the core business. The addition of Hoover to our brand portfolio is strategically important to providing a premium brand platform for future expansion. A timely integration of Hoover was a key priority in 2007 and as a result, we have greatly reduced manufacturing costs. We anticipate this turnaround to provide profit contribution in the future years.

Chairman's Statement

Positive Outlook

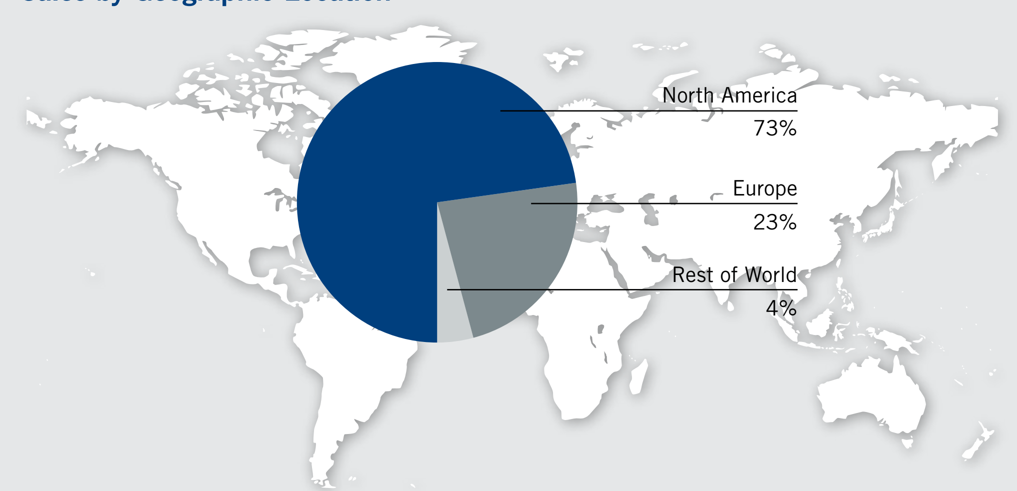
Our goal is to be number one in the industries we serve and we will continue to focus on our Strategic Drivers of Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence. Delivering innovative new products to our customers remains the foundation of our business and last year we were delighted with the performance of our new lithium ion cordless tools and lightweight outdoor gas products. We consider our brand portfolio to be the best in our industry providing tremendous opportunities for future geographic, new product, and business segment expansion.

Our concentration in 2008 will be the continued execution of the Strategic Repositioning Plan as we turn to our European operations, expanding the product categories and reach of our strong brand portfolio, and advancing the rigor of developing and marketing innovative products. At TTI, starting at the highest levels, we continue to nurture our strategic partnerships with major retailers and key customers. We expect some benefits in 2008 from our restructuring and are confident of achieving stronger growth in 2009 and beyond.

Great Brands in our Businesses

Our Power Tool, Outdoor Product, and Floor Care businesses benefit from exceptional brands that professionals and consumers trust. We expect to further our market leading position in North America during 2008 with the planned introduction of new innovative products. Outside the U.S. we expect sales expansion supported by continued growth of the Canadian economy and our intensified marketing efforts

Sales by Geographic Location



in Europe, the Middle East, Latin America, and Australia. As a result, the Company has achieved double-digit revenue growth in the first quarter of 2008 and expects such growth to be maintained over the year.

New CEO

Joe Galli, our newly appointed Chief Executive Officer, successfully led the acquisition and integration of Hoover. Under his guidance, leaders in our geographic, brand, product, and operational business units are seizing the opportunities for growth, product innovation, and operational efficiencies with enthusiasm. We recognize leadership development and a career roadmap are important to our employees who are the engines of our business. TTI is excited about our new initiatives that will grow our employee capital such as the Milwaukee global training center.

I would like to close by thanking our employees for their passionate commitment to profitably growing our business and making TTI recognized as the world leader in our industries. I thank my fellow directors for their advice and thoughtful approach to governance and oversight. Finally, we sincerely appreciate the support of our shareholders, customers, and partners.

Horst Julius Pudwill
Chairman

POWERFUL
BRANDS


Milwaukee
AEG
RYOBI
STILETTO
TOOL CO USA
Homelite
HOOVER
Dirt Devil
vax

Chief Executive Officer's Message

"I am highly encouraged by the progress our team is making throughout TTI's business units and operations worldwide. Momentum is building through all parts of this company."

Joseph Galli Jr
Chief Executive Officer

TTI is a company with an exciting future! We have built a leadership "platform" of high-potential business units, strong marketing companies, and world class manufacturing facilities around the globe. We plan to capitalize on the vast potential of this platform by implementing our Strategic Roadmap for success. This Strategic Roadmap focuses on four elements:

1. **Powerful Brands**
2. **Innovative Products**
3. **Exceptional People**
4. **Operational Excellence**

With the addition of the Hoover and the Stiletto brands in 2007, we now have a tremendous portfolio of Powerful Brands. We will build these brands with comprehensive marketing programs worldwide. These marketing initiatives are designed to build strong end-user preference for TTI brands.

The best way to build brands is to fuel these brands with a continuous stream of innovative, value-added, demonstrably better new products. *TTI is a new product machine!* We have a global network of "Innovation Centers" teeming with talented engineers and product managers who are focused on new product development. We increased our R&D spending in 2007 by 25% to drive an even greater flow of new products. You will see a growing number of high-impact new product launches in 2008 and beyond. This Annual Report showcases a fraction of our 2008 new product flow.

We believe Exceptional People drive exceptional results. Over the past year we have focused on building a stronger management. We have blended a mix of outstanding TTI veteran managers together with an impressive group of highly regarded managers recruited from outside. We now have a strong management team in place leading this company. When you read the list of names on the TTI team in this report, you can see why we feel fortunate to have so much talent in one company!

TTI has launched a comprehensive campus recruiting program to build a talent pool of exceptional people for the long-term. We recruited 155 outstanding college graduates in a variety of functional areas in 2007. We formed the Leadership Development Program (LDP) to formally develop and mentor the fresh recruits to prepare them for future assignments.

We are rolling out a company wide Operational Excellence initiative. TTI's Operational Excellence initiative represents an obsession to improve quality, offset inflation and lower costs, improve our business processes, and establish targets and metrics for key deliverables. We will monitor our progress through the TTI Operating Cycle series of annual, semi-annual, and quarterly reviews. We believe we have immense opportunity to "Raise the Bar" and take our execution to the next level.

Although TTI is a company with a rich history of success, our Strategic Roadmap will ensure that our best times are ahead of us.

In closing, I would like to thank Horst Pudwill for his tremendous support. Horst has been a remarkable mentor, advisor, motivator, and new idea catalyst for me since I joined TTI. I am extremely grateful that I am able to work closely with Horst as we build TTI in the years ahead.

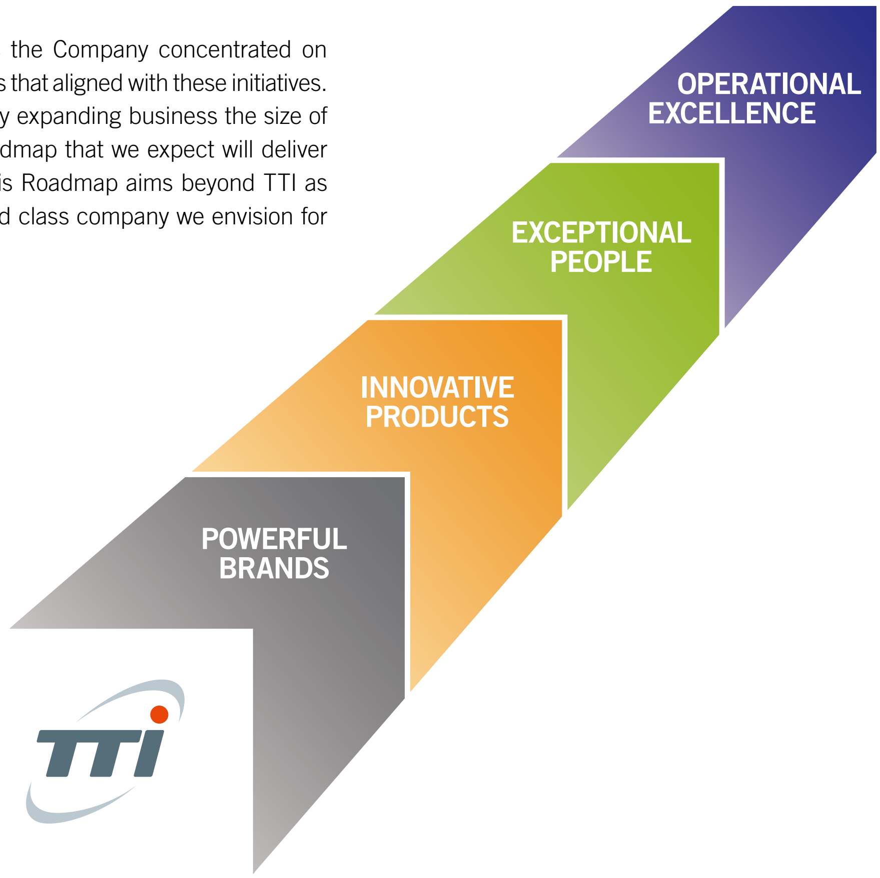
Joseph Galli Jr
Chief Executive Officer

Chief Executive Officer's Message
Our Strategic Roadmap

TTI has a strategic foundation comprised of four initiatives that steer our competitive advantages.

Over the past several years the Company concentrated on developing business practices that aligned with these initiatives. Facing demands of a globally expanding business the size of TTI, we created a clear Roadmap that we expect will deliver sustained profit growth. This Roadmap aims beyond TTI as we know it today to the world class company we envision for our future.

POSITIONED FOR GROWTH



Strategic Roadmap

- **Gross Margin Enhancement**
- **Drive Double-Digit Sales Growth**
- **Generate Free Cash Flow**
- **Organizational Development**
- **Operating Cycle Deployment**

Gross Margin Enhancement: Offset Inflation + Improve Gross Margin
- High margin new products
- Hoover restructuring
- Milwaukee restructuring
- New China Campus
- Comprehensive TTI productivity initiative
- Global manufacturing plan

Drive Double-Digit Sales Growth
- Invest in R&D
- New China Innovation Center
- Global Floor Care R&D Center
- Cordless product leadership
- Start-up new business
- Geographic expansion
- New product vitality rate

Generate Free Cash Flow
- Complete restructuring
- Complete new China Campus
- Increase EBIT
- Reduce working capital as a % of sales
- Reduce fixed capital as a % of sales

Organizational Development
- Build a team of Exceptional People
- Create a sustaining resource of leadership and technical talent

Operating Cycle Deployment
- Annual: Strategic Planning, Organization Review and Budget
- Semi-Annual: Global Product Summits
- Quarterly: Operations Reviews
- Monthly: Financial Management Reports

TTI World Wide

Canada
- **Power Equipment and Floor Care**
  - Sales and Marketing

Europe
- **Power Equipment**
  - Sales and Marketing
  - Research and Development
  - Manufacturing
- **Floor Care**
  - Sales and Marketing

Asia
- **TTI World Wide Headquarters**
- **Power Equipment and Floor Care**
  - Sales and Marketing
  - Research and Development
  - Manufacturing

United States
- **Milwaukee Professional Tools**
  - Sales and Marketing
  - Research and Development
  - Manufacturing
- **Consumer and Trade Tools**
  - Sales and Marketing
  - Research and Development
- **Outdoor Products**
  - Sales and Marketing
  - Research and Development
  - Manufacturing
- **Floor Care**
  - Sales and Marketing
  - Research and Development
  - Manufacturing

Middle East, Africa, Indian Subcontinent
- **Power Equipment and Floor Care**
  - Sales and Marketing

Latin America
- **Power Equipment and Floor Care**
  - Sales and Marketing

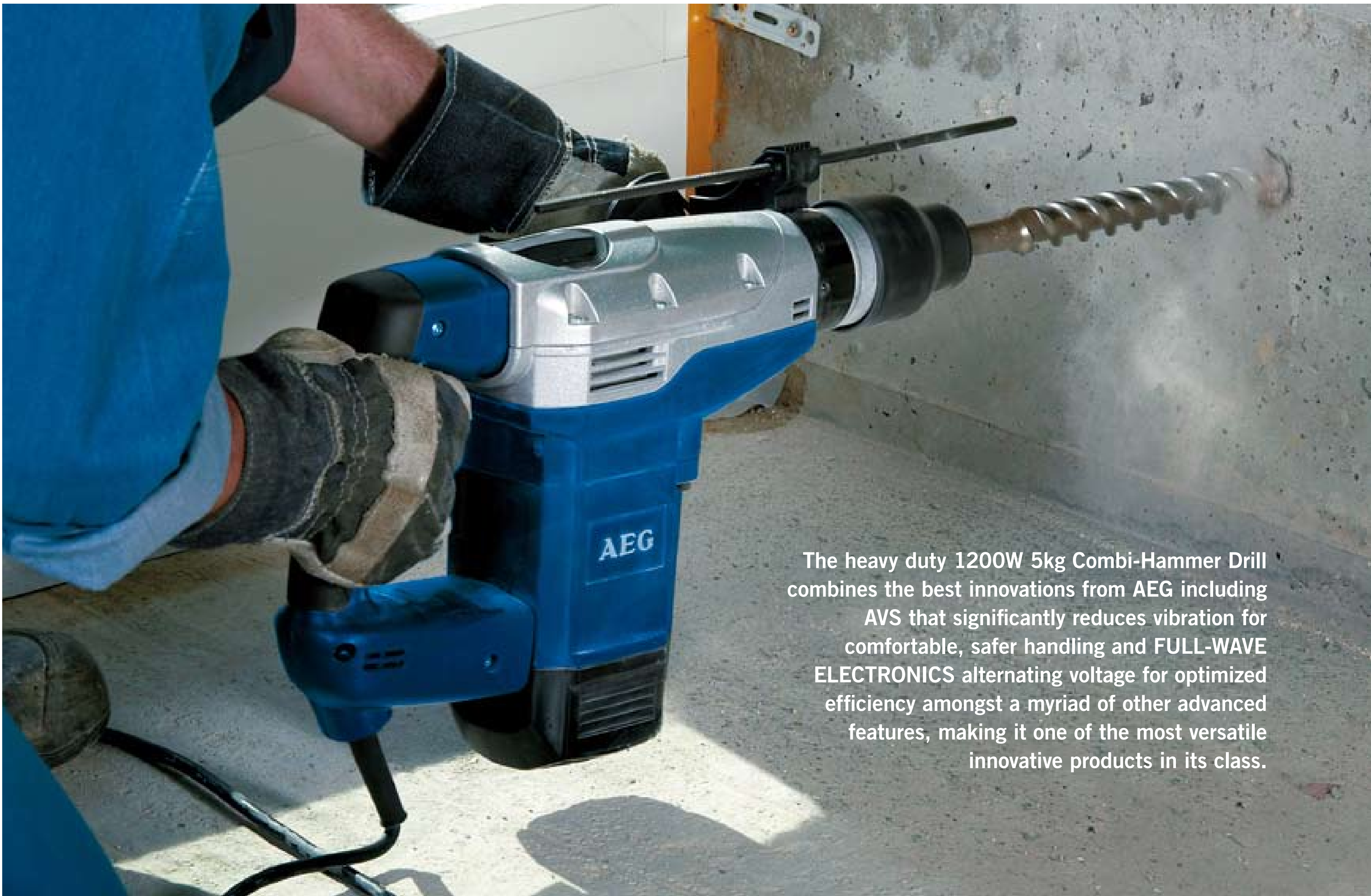
Australasia
- **Power Equipment and Floor Care**
  - Sales and Marketing

INNOVATIVE PRODUCTS

The Stiletto TiBone 14oz Titanium Hammer drives nails like a 24oz steel hammer. It's 15 ¼" Titanium handle is incredibly strong, powerful, and lightweight and provides 10 times less recoil shock than steel! It also features a magnetic Nail Starter and a Patented Side Nail Puller.

The Homelite 20" Chainsaw is powered by a 46cc 2 cycle gas engine providing increased durability and professional performance. Innovations include a 3-point vibration isolation for operator comfort and less fatigue, automatic chain oiler and an inertia activated chain brake for the ultimate in safe performance.

The 15.0 Amp Super Sawzall Recip Saw is the fastest, most durable Recip Saw in the world. It is the first Sawzall Recip Saw to include Constant Power Technology which maintains constant speed and power under load for unmatched cutting performance.



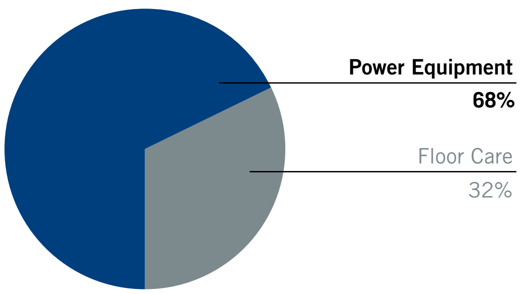
The heavy duty 1200W 5kg Combi-Hammer Drill combines the best innovations from AEG including AVS that significantly reduces vibration for comfortable, safer handling and FULL-WAVE ELECTRONICS alternating voltage for optimized efficiency amongst a myriad of other advanced features, making it one of the most versatile innovative products in its class.

Review of Operations

Power Equipment

- Power Tools Delivered Low Single-Digit Growth
- Europe Expanded Nearly 20%
- Outdoor Products Improved Profitability

Division Turnover



- Professional and consumer power tool segments grew
- Milwaukee manufacturing transfers and restructuring on track
- Strategic retail partnerships in key markets
- Lithium ion launched across all power tool brands
- Ryobi Hyper-green lithium ion power tools expand One+System
- Homelite Mightylite products delivered market gains
- Ryobi One+System expanded into outdoor products
- Re-entry into gas powered chainsaws and pressure washers
- Stiletto integrated
- Core management teams strengthened

The Power Equipment business, which includes Power Tools & Accessories, and Outdoor Products experienced growth in the back half of 2007 despite worsening market conditions in our core North American market. Successful new product launches as well as efforts to expand our business in other geographic regions led the way for growth. For the full year, sales was at HK$16.88 billion or a decline of only 1.4% against last year. Profit margin for the full year before restructuring and transition costs was at HK$1.23 billion or a decline of 16.2% resulting primarily from strategic investments in R&D and advertising.

Power Tools & Accessories

Operations Review

For the full year 2007, Power Tools & Accessories experienced growth on the back of our powerful brands and lithium ion battery platforms.

In the professional segment, the combined sales of Milwaukee and AEG delivered high single-digit growth in the 2nd half of 2007. Full year sales grew by a low single-digit rate. Milwaukee was able to capitalize on the commercial construction market which helped offset the weakness in the residential construction market. The advanced Milwaukee lithium ion battery technology was extended with the launch of a range of compact tools: the 18V lithium ion cordless compact driver drill, the 12V lithium ion cordless sub-compact driver, and the 4V lithium ion cordless screw driver. We also implemented an enhanced product development process, 'VIGOR', in line with the group's global cross-function strategy for Milwaukee. VIGOR significantly increases speed-to-market for new products, actively leverages innovation across categories, and places greater focus on end-user research, ensuring a steady flow of innovative new products that addresses the needs of our customers.

Milwaukee 12V Lithium ion Mspector Digital Inspection Camera
Delivers professional users unsurpassed image quality for accurate diagnosis, digital zoom for up-close inspection, and the latest in lithium ion battery technology for up to three times the run-time on one battery charge. The Mspector is the second introduction of the Milwaukee 12V lithium ion cordless system, allowing users to interchange batteries amongst a series of class-leading Milwaukee professional compact cordless tools.

Milwaukee 18 Volt Compact Drill
Milwaukee 18V lithium ion compact driver drill delivers superior performance in a compact package. Powered by Milwaukee's innovative lithium ion battery technology, this world class leading tool delivers up to three times the number of battery charges, two times the battery life, and unparalleled performance in a tool this size. The first in a series of innovative 18V lithium ion products sure to change the way users view professional cordless.

Review of Operations
Power Equipment

AEG performed well in Europe as well as the Middle East and Africa benefiting from the new product launches of large hammers, angle grinders, and new cordless drills. We expect AEG brand tools to be a growth platform in Europe and developing markets as the product range is refreshed and expanded with new products.

TTI introduced twelve new RIDGID lithium ion tools positioned as best-in-class including a super-compact drill driver using a new 12V lithium ion battery platform. The new 12V drill driver combines powerful lithium ion technology with an innovative integrated clutch and chuck system ensuring the tools' performance and versatility outperform the competition in the 12V cordless class. RIDGID power tools have become a true professional power tool force on the residential construction job site.

In the consumer segment, Ryobi branded tools grew by almost a double-digit rate for the full year. New product launches and an aggressive marketing campaign fuelled the growth. A total of 27 new Ryobi branded products were launched throughout the year with positive retail sell-through results. The year's high-profile launch was the Ryobi branded 18V lithium ion line of Hyper–green tools in North America in the second half of 2007. The launch was supported by a successful marketing campaign and achieved sales well ahead of expectations. The new 18V lithium ion battery uses the same battery platform as the existing One+System, a favourite with re-modellers and value conscious pro users. The popularity of the One+System coupled with the introduction of lithium ion technology deliver true professional quality performance at highly competitive prices.

Our contract manufacturing business remains an area of importance. The Sears Craftsman brand and other key customers have benefited from the lithium ion technology and other new product innovations created by TTI. The US economy has impacted this business segment's customers; however the customer mix is broad and opportunities for expansion are in the product development plans.

Our Accessories business remained an important contributor of both sales and profit. We expect Accessories will continue

Ryobi 12V Lithium ion Drill
The Ryobi branded 12V lithium ion drill provides 4 times the run time, is 30% lighter and more compact than its predecessor, a true innovation leader in the 12V class.

Ryobi Lithium ion Conversion Kit
The new Ryobi branded One+ lithium ion battery upgrade kit is perfect for the One+ user who already has several One+ tools but wants the enhanced performance of a lithium ion battery.

to show strong scope for growth. Milwaukee launched its first wave of new accessories last year and has a pipeline of new products being developed. The Ryobi brand was backed by sales of innovative multi-piece sets and promotions through their high-volume DIY retail customers. Our commitment to OEM customers in carbide drilling is important and provides an opportunity for future growth.

Further restructuring and consolidation of the Milwaukee and AEG operations continued to drive cost savings as we execute our plans. Added efficiency gains have been made in coordinating our new product development process, R&D, and international Concept Centers. The resulting improvements in new product speed-to-market and customer-centric innovation processes are already delivering both efficiencies and competitive benefits.

A strengthening of our commitments and partnerships with important customers in the UK and Australia reflects a commitment TTI makes towards our partners around the world. The focus on creating brand value with end-users, delivering innovative new products, and Operational Excellence has solidified key relationships in the US, Canada, France, and many other markets. Our ability to provide large-scale retailers with assured product diversity, quality guarantees, as well as high-impact marketing and merchandising, store service, and product training are important aspects to driving business with our partners.

Outlook

Growth in core categories is expected from unrelenting investment in new product technology platforms and innovative solutions for both tools and accessories. We have established a stable platform to build on our successes in our core product categories while continuing to expand into new markets. The TTI brand portfolio is the strongest in our industries and our brands are aimed at end-user segments.

In logistics and manufacturing, we have a mature, highly efficient, and well-managed production base with associated supply partnerships in China's Pearl River Delta. The new Asia manufacturing campus and Innovation Center will bring efficiencies and quality enhancements.

RYOBI

Lithium 18V

Ryobi Lithium ion Combo Kit
The four piece combo kit has all the basic tools for any do-it-yourselfer, remodeler, or pro.

AEG 12V Compact Drill Driver
The AEG drill driver powered by 12V lithium ion battery technology delivers superior torque and versatility through innovative compact design.

AEG

Review of Operations
Power Equipment

The foundations are now in place for rapid geographic development and expansion in Canada, the Middle East, Eastern Europe, Latin America, and Australia, all of which offer potentially strong growth. We will maintain our drive for leadership through innovation, leveraging the group's many cross-brand product development and technology synergies, and we will strive for ongoing cost reductions through a continuing commitment to the Group's Cost Improvement Program.

Outdoor Products

Operations Review

Outdoor Products margins improved in 2007 despite a decline in sales. Gains in operational efficiencies as well as better mix from our new products contributed to the profit growth. Sales declined due to a strategic temporary withdrawal from pressure washers and chainsaws. We will re-enter these categories in 2008 and we expect to more than regain lost market share.

The year's highlight was the launch of the Mightylite range under the Homelite brand. This included entering a new product category of gas hedge trimmers. Fundamental to this was the successful development of an emissions efficient, lightweight 26cc engine, which resulted from the close cooperation between our US and China product development centers. In the US, we introduced under the Ryobi brand the Quick-Fire Carburetters making engine starts significantly easier and more efficient. Other highlights included the launch of Homelite blowers, and the world wide expansion of the Ryobi One+ program into Outdoor Products.

In Europe and other markets outside of North America, the distribution reach of Power Tools has laid the groundwork for our brands to become leaders in gas powered Outoor Products categories. Mightylite was successfully launched in the UK, continental Europe, and other key markets. The new distribution network in Eastern Europe and Russia is now successfully marketing Homelite.

Homelite®

Homelite Electric Range
The new Homelite electric powered range of products offers features and benefits which allow for comfortable operation and versatility. The newly launched range covers all main Outdoor Product categories including, chainsaws, blowers, trimmers, shears, and pruners.

Our Product Development has been brought together through the outdoor product SBU process, which enabled the business to be focused on global platforms and driving innovation.

Outlook

The Outdoor Products business is positioned for growth in 2008 with significantly impactful new products being launched throughout the year. Key milestones will be the launch of a complete range of Homelite portable electric products and new gas powered chainsaws and pressure washers in North America. The pressure washer program is comprehensive and innovative, launched in early 2008 with additional products planned for later in the year. The first half of 2008 will be marked by the introduction of the user-friendly Touch Start gas powered string trimmer. This will then be followed later in the year by a range of electric start products which uses the Ryobi 12 volt battery pack.

Outdoor Products will benefit from the geographical expansion of TTI. The new and refocused regions will be important markets for our Homelite and Ryobi branded gas products. Additionally, our contract manufacturing business has new opportunities with our 26cc engine technology and future developments currently underway. The organization will be moving aggressively to seize many of these opportunities and to deliver new business.

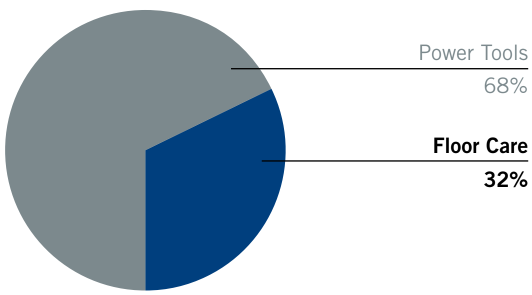
Ryobi Outdoor – Touch Start Trimmer
The Ryobi branded Touch Start gas trimmer is the first electric start trimmer on the market. Its 12V cordless on board electric start system allows users to start the 30cc gas engine at the touch of a button for the ultimate in efficiency and convenience.

Review of Operations

Floor Care

- Sales Growth in Core Business
- Integration of Hoover Completed
- Global R&D Center Established

Division Turnover



– Hoover integration positions the business for profitability
– Consolidation improves cost efficiency, productivity, and customer service
– Global R&D Center opened in Ohio, US
– Introduced an improved NPD process
– Vax continues expansion
– Dirt Devil Designer Series gains market share in US

The Floor Care business, led by our brands Dirt Devil, Vax, and the newly acquired Hoover grew 67.8% in 2007 with a combined sales of HK$7.90 billion. Without Hoover, sales was at HK$4.92 billion or a growth of 4.5%. Increased national advertising as well as focused retail account management contributed to the growth. Global commodity inflation had a negative impact in our profit margins and was partially offset by new product introductions and better product line management. Profit margin before restructuring and transition costs was at HK$178 million excluding Hoover. Including Hoover, profit margin before restructuring and transition costs was at HK$147 million reflecting Hoover's less efficient operations.

Operations Reviews

The restructuring and integration of Hoover to our Floor Care division was completed ahead of schedule. The integration provided an excellent testing ground for TTI's global management structure which proved successful on all levels; encompassing the coordination and/or transfer of logistics, supply chain, production, and technology on an international scale. The restructuring included integrating production in North Canton, Ohio into TTI's Texas, Mexico, and current PRC manufacturing facilities. Logistics was also consolidated alongside the other businesses, and the Division's leadership team was significantly strengthened with the addition of proven industry experts. We have now set the stage for Hoover's future profitable growth. In North America, the Hoover and Dirt Devil product ranges were updated during the year leveraging the combined product and technology portfolios. In addition, non-performing products were systematically phased out. Apart from the Nano-Lite and new derivatives of the WindTunnel Cyclonic model, no new major platforms were launched under the Hoover brand during 2007 as the Division prepares the brand for its major re-launch in 2008.

HOOVER®

anniversary edition
CELEBRATING 100 YEARS
of excellence in floor care

Review of Operations
Floor Care

Dirt Devil continues to ride on the success of its high margin Designer Series, featuring new cordless models designed by world-famous New York-based product designer Karim Rashid. This has contributed to a market share increase in the past two years. During the year, both the Kruz hard floor cleaner and the Kurv hand held cleaners were added to the Designer Series line-up. This has firmly repositioned Dirt Devil as a design-conscious and aspirational brand. Already, there is strong retailer anticipation ahead of the 2008 Designer Series introductions of the Brum and the Kwik and we expect further growth in this category.

In the UK, the Vax brand continued to enjoy market-leading success in its core bagless cylinder and carpet washer product categories, achieving double-digit sales growth. Vax has further improved its market position on the back of an aggressive new product stream. Key new product ranges have leveraged the technologies acquired under the Hoover acquisition, with the Mach 6 and the All Terrain, the Vax brand's hero products of the year. The brand also achieved strong growth in Russia and Eastern Europe.

We completed a global reorganisation of engineering and product development resources in 2007. A new R&D center was completed in TTI Floor Care's North America headquarters in Ohio to consolidate R&D activities for all our brands and OEM businesses globally.

This investment will enable a more robust new product pipeline and will centralize the Group's design development to leverage our market-leading technology capability globally. Vax is already benefiting from the globalization of our product development and technology sharing processes, which will see the brand strengthen with the introduction of several new product categories during 2008.

Dirt Devil®

Dirt Devil Designer Series:
Designed by famed product designer, Karim Rashid, all products in the Designer Series line have an elegant, sculptural form. The beauty of these tools give consumers the confidence to leave them on display in any room. This takes the cordless convenience to a new level. Tools that are always charged and always ready for use.

Additionally, a new floor care product development process was introduced, enabling the division to leverage the Group's world wide R&D platform. These initiatives reflect the Group's commitment to accelerated speed-to-market, increased end-user research, and the application of innovation potential across all our floor care brands and product categories.

Outlook

While Dirt Devil is positioned as the design-conscious brand with clever innovations that make cleaning fun and easy, the acquisition of Hoover allows us to occupy the premium cleaning segment. With the progressive introduction of a complete new product line-up starting in 2008, Hoover will be positioned as the Cleaning Authority, providing best-in-class technology and a consumer experience based upon high-performance, design excellence, and added value. This will be a multi-platform product line approach, covering cordless lithium ion powered products as well as corded categories.

The Hoover re-launch will also be accompanied by an aggressive, 360º advertising and promotion program. Further product line extensions are also scheduled from Dirt Devil.

In Europe, the planned expansion of regional sales teams and of the Vax brand will be supported by the introduction of commercial range Vax branded products to target the commercial cleaning market. We can also expect further sales penetration in Russia and Scandinavia where new distributors and operations are being established.

Worldwide, we will continue to maximize TTI group synergies and introduce new product ranges that leverage the technologies acquired with Hoover.

Hoover WindTunnel Cylonic Vacuum
The Hoover WindTunnel + Cyclonic bagless HEPA upright vacuum combines Patented WindTunnel and cyclonic technology to provide lasting suction power for superior carpet cleaning performance.

Vax Dual V Carpet Washer
The Vax Dual V steam vacuum cleaner is designed to deep clean on the carpeted and hard floor surfaces in your home. Dual V Nozzle technology, heated cleaning, patented SpinScrub brushes, and Auto Rinse technology combine to provide superb floor and carpet cleaning performance.

EXCEPTIONAL PEOPLE

Asia

TTI

David Butts
Group Executive Vice President & President, Asia Pacific

John Mosher
Vice President, Finance Asia Pacific

Clarence Chi Hong Chan
Group Controller

Alex Chunn
Vice President, Concept Development

Dr jur. Matthias Hartz
Senior Vice President, Corporate Affairs

Dr Thomas James
Senior Vice President, Professional Power Tools Operations

Marc Hill
Senior Vice President, Portable Electric Tools & Accessories

Jeffrey Zeiler
Vice President, Engineering, Professional Power Tools

Brian Ellis
Vice President, Engineering, Consumer Power Tools

Solar Wide Industrial Ltd.

Hughes Sanoner
President & Chief Executive Officer

Australasia

TTI Australia & New Zealand

Mike Brendle
Managing Director

Grant Edhouse
Chief Financial Officer

North and South America

TTI

Trevor Deighton
Executive Vice President, Global Operations

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

TTI Floor Care

Chris Gurreri
President

John Remmers
Executive Vice President, Global Engineering

Matt Shene
Chief Financial Officer

Marty Gardner
Vice President, Sales

TTI Canada

Craig Baxter
President

Russ Laird
Vice President, Finance

TTI Power Equipment

Mike Farrah
President, Power Tools Group

Mark Hartman
Vice President, Marketing, Power Tools Group

Lee Sowell
President, Outdoor Products Group

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

Nate Easter
Senior Vice President, Operations, Outdoor Products Group

Global Management

Ken Faith
Vice President, Finance

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

Ken Brazell
Senior Vice President, Industrial Design & Concept Development

Jason Morris
Vice President & General Manager, Power Tools Accessories

TTI Latin America

Rodrigo Villanueva
President

Milwaukee Tools

Steven P. Richman
President

Sean Dougherty
Chief Financial Officer

David A. Selby
Vice President, Engineering

Shane A. Moll
Vice President, Marketing & Product Development

Darrell R. Hendrix
Senior Vice President, Sales

Tom A. Mastaler
Senior Vice President, Operations

Dyann L. Kostello
General Counsel

Scott Griswold
Vice President, Marketing & General Manager, Accessories

Europe, Middle East, Africa & Indian Subcontinent

TTI

Alexandre Duarte
President

Philippe Buisson
Chief Financial Officer

Alexandre Thorn
Managing Director, France & Benelux

Robert Vos
Managing Director, Middle East & Africa

Jorge Duarte
General Manager, Iberia

Tommaso Comboni
General Manager, Italy

Thomas Jacobsson
General Manager, Nordic

Alistair Roberts
Vice President, Marketing & Key Accounts, Homelite

Tim Stainton
Vice President, Global Lighting SBU

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

A & M Electric Tools GmbH

Horst Garbrecht
Managing Director, Operations

Oliver Lerch
Vice President, Product Management

Jason Chiswell
Vice President, Marketing & Key Accounts

Dr Dirk Biskup
Vice President, Finance & Accounting

DreBo Werkzeugfabrik GmbH

Markus Dreps
Managing Director

Royal Appliance International GmbH

Ralf Lindner
Managing Director & Chief Executive Officer

Vax Europe

Simon Lawson
Managing Director

Board of Directors

Group Executive Directors

Horst Julius Pudwill MSc *Chairman*

Mr Horst Julius Pudwill, aged 63, a founding partner of TTI, has been the joint Chairman and Chief Executive Officer from 1985 until early 2008, following which Mr Pudwill retired as a Chief Executive Officer but remains in office as Chairman of the Group. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations with the Chief Executive Officer reporting directly to him.

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

Dr Roy Chi Ping Chung JP *Group Vice Chairman*

Dr Roy Chi Ping Chung JP, aged 55, is a co-founder of TTI. Dr Chung, previously the Group Managing Director since 1985, has been appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007 and he is responsible for the corporate and business management of the Group.

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

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

Joseph Galli Jr BSBA, MBA *Chief Executive Officer*

Mr Joseph Galli, Jr, aged 50, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

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

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

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

Mr Patrick Kin Wah Chan, aged 48, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, an associate of The Professional Validation Council of Hong Kong Industries, Product Innovation Director of the Hong Kong Electrical Appliances Manufacturers Association.

Frank Chi Chung Chan ACA, FCCA, FCPA, CPA (Practising) *Group Chief Financial Officer*

Mr Frank Chi Chung Chan, aged 54, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

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

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

Board of Directors

Stephan Horst Pudwill *President of Strategic Planning*

Mr Stephan Horst Pudwill, aged 31, joined the Group in 2004 and was appointed as Executive Director in 2006. He is mainly responsible for managing, improving, and monitoring internal operations and identifying synergistic business opportunities within the Group.

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

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

Non-executive Director

Vincent Ting Kau Cheung

Mr Cheung, aged 66, was appointed as a Director in 1991. He is a Non-executive Director of Gold Peak Industries (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited.

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

Independent Non-executive Director

Christopher Patrick Langley OBE

Mr Christopher Patrick Langley, aged 63, was appointed as an Independent Non-executive Director in 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley holds directorships in a number of publicly-listed companies and maintains close ties with the business community in Hong Kong.

Joel Arthur Schleicher CPA, BSB

Mr. Joel Arthur Schleicher, aged 56, was appointed as an Independent Non-executive Director in 1998. He has 28 years of management experience in the manufacturing and technology/telecom services sectors.

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

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 63, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. He joined a European based private equity/alternative investment firm as a partner in 2005. Also since 2005 he serves as “Hamburg Ambassador” in the UAE, to support the economic ties between Hamburg, Germany and the UAE.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 60, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

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

OPERATIONAL EXCELLENCE

TTI Industrial Manufacturing and Innovation Campus – Dongguan, Guangdong Province, China

Asia Innovation Centre

Management's Discussion and Analysis

Financial Results

Result Analysis

The Group's turnover for the year amounted to HK$24.8 billion, an increase of 13.53% as compared to the HK$21.8 billion reported in 2006. Profit attributable to equity holders of the parent amounted to HK$125.26 million, as compared to HK$1.1 billion reported in 2006. Basic earnings per share for the year was at HK8.41 cents as compared to HK73.18 cents in 2006. The HK$743.02 million restructuring and transition charges, together with negative contributions from the newly acquired operations, were major factors for the decrease in both profits and earnings per share.

EBITDA, before restructuring and transition charges, amounted to HK$2.0 billion, decreased by 6.48% as compared to HK$2.1 billion reported in 2006.

Following the Hoover acquisition, the Group's own brand business accounted for 85.90% of total turnover (2006: 80.24%), reinforcing the Group's strategy to continue to expand and capitalize on its strong brand portfolio. North America accounted for 73.07% (2006 : 73.69%) of the Group's revenue, after consolidating Hoover. This demonstrates the very healthy growth in markets beyond North America which grew by over 16% year on year.

Gross Margin

Gross margin remained comparable to that of last year despite raw material cost increases and the RMB appreciation as a result of favorable product mix and new products being launched during the year together with an effective cost containment program within the Group.

Operating Expenses

Total operating expenses increased by 28.66% to HK$6.9 billion (2006 : HK$5.4 billion), representing 27.90% of turnover (2006 : 24.62%). The increase was due to the less efficient operating costs of Hoover being consolidated in 2007.

Design and development expenses increased by 24.94% to HK$535.13 million, representing 2.16% turnover (2006: 1.96%). The Group will continue to invest in design and development not only to maintain sales growth momentum but also further enhance margin. This been best demonstrated by the fact that despite manufacturing costs been increasing, gross margin of the Group continues to maintain and improve.

As discussed in the interim report, included in the other income is settlement for disputed legal matters. The settlement agreement contains non-disclosure terms concerning the nature of dispute, the parties to the dispute and other terms of agreement.

Net interest expenses for the year amounted to HK$362.12 million as compared to HK$300.23 million reported in 2006, an increase of 20.61%. The increase was due to higher cost of funds during the year, additional working capital required for the Hoover operation and to finance the restructuring and transition costs under the Strategic Repositioning Plan. Interest coverage, expressed as a multiple of EBITDA before restructuring and transition was at 4.48 times (2006 : 5.59 times).

The effective tax rate, being tax charged for the year to before tax profits was at 23.05%. However, certain tax efficiencies arising from the restructuring and transition charges did not materialize in 2007 and have been deferred to 2008. The Group will leverage this and its global operations to further improve on overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to HK$6.9 billion, as compared to HK$7.0 billion reported last year as a result of share repurchased during the year and redemption of Convertible bonds, and after having accounted for the HK$743.02 million restructuring and transition costs.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing to equity attributable to equity holders, was at 104.32% as compared to 74.14% as reported last year. The increase is mainly due to the negative contributions from the newly acquired operations during the year together with additional working capital required for the Strategic Repositioning Plan (SRP). The Group remains confident that the gearing will improve after the successful implementation of the SRP, margin improvements from the acquired business, together with very focused and stringent working capital management.

Bank Borrowings

On June 12, 2007, the Group received notice that of the US$140 million Zero Coupon Convertible Bonds in issue, US$127.85 million, representing approximately 91% of the total bond outstanding, exercised their Put Option that the bonds be redeemed on July 8, 2007. The Put amount was fully settled on the due date.

Following the redemption of the convertible bonds, long term debts accounted for 41.27% of the total debt as compared to 62.54% in 2006.

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

Working Capital

Total inventory increased from HK$4.0 billion in 2006 to HK$5.9 billion in 2007 with the consolidation of Hoover's operation and additional inventory built during the year for the strategic repositioning plan. The number of days inventory increased by 6 days from 67 days to 73 days. The Group will focus in reducing the inventory level and improve inventory turns.

Trade receivable turnover days were at 56 days as compared to 54 days as reported last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days extended by 3 days from 56 days reported in 2006 to 59 days in 2007.

Capital Expenditure

Total capital expenditure for the year amounted to HK$859.71 million with HK$265.80 million related to the China factory expansion and HK$130.22 million from the newly acquired Hoover business.

Capital Commitments and Contingent Liabilities

As at December 31, 2007, total capital commitments amounted to HK$391.35 million (2006: HK$620.09 million) and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

Management's Discussion and Analysis

Hoover Acquisition

On December 7, 2006 the Directors announced that the Company on December 6, 2006 (US Eastern Standard Time) entered into the conditional Purchase and Sale Agreement ("PSA") to purchase the Hoover Floor Care business from certain subsidiaries of Whirlpool Corporation. The total consideration for the purchase of the Hoover assets and two operating subsidiaries consists of the payment of US$107 million (approximately HK$831 million) in cash to Maytag Corporation (on behalf of itself and the other sellers).

All of the conditions set out in the PSA have been fulfilled as per our announcement dated January 30, 2007 and the transaction was completed on January 31, 2007. It was fully settled at the closing of the transaction by internal resources.

We have finalized the evaluation of the acquired assets and liabilities according to HKFRS 3. Accounting for Business Combinations. For that purpose we retained appraisers and actuaries who worked on the valuation of the acquired property, plant and equipment, intangibles, and long-term post retirement benefits.

Major Customers and Suppliers

For the year ended December 31, 2007

(i) the Group's largest customer and five largest customers accounted for approximately 33.22% and 54.31% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.36% and 12.44% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

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

Human Resources

The Group employed a total of 23,685 employees (2006: 20,679 employees) in Hong Kong and overseas. Total staff costs for the period under review amounted to HK$3,186.75 million as compared to HK$2,456.31 million last year.

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

Strategic Repositioning Plan

The Board of Directors approved in 2007 a series of strategic repositioning initiatives designed to significantly boost our future performance by exploiting the synergies and growth opportunities offered by our acquisitions and business scale. The plan includes:

- Re-deployment of our global manufacturing and product development capabilities;
- Reorganization into new product and regional business units for more efficient management of brands, products, and investments; and
- Expanding the marketing of our brands and products in markets where they are under-represented.

Costs and Savings

The total estimated non-recurring cost of the Strategic Repositioning Plan over three years is about US$150 million, including about US$55 million of non-cash and US$95 million of cash restructuring charges, and about US$22 million of related transition expenses. Once the redeployment and reorganisation plans have been fully implemented, the anticipated annualised pre-tax savings should be over HK$550 million (US$70 million).

For full year 2007, the initiatives generated a pre-tax restructuring charge of HK$668.48 million (US$86 million), including HK$400.70 million (US$51 million) for Hoover, and HK$267.78 million (US$35 million) for other restructuring. The cash portion of these charges was HK$416.18 million, and the non-cash portion was HK$252.30 million. In addition to the restructuring charges in 2007, we incurred related pre-tax transition expenses of HK$74.54 million (US$9 million) that do not qualify as exit costs under HKFRS, including HK$34.19 million (US$4 million) for Hoover and HK$40.35 million (US$5 million) for other.

We estimate the future restructuring charges to be approximately HK$500 million (US$64 million), about 65% cash and 35% non-cash, all to be recognised in 2008. In addition to the further restructuring charges in 2008, we expect to incur related transition expenses of approximately HK$100 million (US$13 million) that do not qualify as exit costs under HKFRS.

Repositioning Status

- Redeployment of the Group's global manufacturing and product development capabilities is on schedule.
- Reorganization of the Group into new product and regional business units is nearing completion.
- Initiatives to expand marketing of our brands and products in under-represented markets were launched in several markets in 2007, and additional markets will be targeted in 2008.

Floor Care Division

The Hoover integration is virtually complete, and the Hoover operation is on track to deliver positive operating results for 2008 and beyond.

- The production in North Canton, Ohio has been integrated into TTI's Texas and Mexico facilities and current China facilities.
- A global R&D center was constructed in Ohio to host all US R&D activities for Hoover and Royal, and to lead R&D globally. This investment will support a more robust new product design and development pipeline, ensuring the Group is able to leverage globally its market leading technology capability.
- Hoover's prior distribution activities have been migrated into Royal's existing facilities, yielding significant cost savings, improved shipping and handling productivity, and better service levels for customers.

Power Equipment Division

The move of Milwaukee production to China will yield significant cost savings in 2008 and beyond.

- The production transfer of Milwaukee cordless products to the Group's China facilities is completed, and the transfer of corded products is on target;
- TTI has announced the closure of 2 US facilities by the end of 2008.
- The construction of a new facility and test labs in China, dedicated to the manufacturing of professional tools, is almost completed and is expected to be in operation by the second half of 2008.

Management's Discussion and Analysis

TTI is streamlining European operations to optimise the production of higher complexity products to meet the needs of the European and US markets. The majority of the European corded products have already been transferred to China.

Regional Business Units and Expansion into Under-Represented Markets

New regional business units established during 2007 included Europe and the Middle East, Canada, and Australasia. The leaders of these new regional units are responsible for streamlining existing operations, developing strategic partnerships, and expanding into under-represented markets. Under-represented markets given increased attention in 2007 included Canada, Eastern Europe, and the Middle East. Markets slated for increased attention in 2008 include certain countries in Western Europe, Latin America, and Asia including China.

Purchase, Sale or Redemption of Shares

A total of 4,358,500 ordinary shares of HK$0.10 each were repurchased by the Company during the year at prices ranging from HK$6.48 to HK$9.25 per share. The aggregate amount paid by the Company for such repurchases amounting to HK$35,175,000, was charged to the retained earnings.

The repurchased shares were cancelled and the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

The repurchase of the Company's shares during the year were effected by the directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Company and has discussed internal controls and financial reporting matters, including the review of the Group's consolidated financial statements for the year ended December 31, 2007. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK1.50 cents per share for the year ended December 31, 2007 (2006: HK12.60 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 30, 2008. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 31, 2008. This payment, together with the interim dividend of HK6.50 cents per share (2006: HK6.50 cents) paid on September 28, 2007, makes a total payment of HK8.00 cents per share for 2007 (2006: HK19.10 cents).

Closure of Register of Members

The register of members of the Company will be closed from May 28, 2008 to May 30, 2008, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on May 27, 2008.

Corporate Governance Report

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

Compliance with Code of Governance Practices

The Company confirms that it has complied with all the code provisions of the Code on Corporate Governance Practices (the **"CG Code"**) set out in Appendix 14 of the Listing Rules throughout the year ended December 31, 2007, save that:

1. The roles of Chairman and the Chief Executive Officer of the Company were performed by Mr Horst Julius Pudwill until February 1, 2008. Mr Joseph Galli Jr was appointed Chief Executive Officer and Executive Director of the Company effective February 1, 2008. Mr Pudwill continues in his role as Chairman and Executive Director. This is to allow Mr Pudwill to focus on the strategic planning and development of the Group. These changes are made in respond to the ongoing expansion and development of the Group and to comply with the requirement of the recommended code provision A.2.1 of the CG Code that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual.

2. None of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.

Board of Directors

Roles and Responsibilities

The board of directors (the "Board") assumes responsibility for leadership and management of the Group's affairs and concentrates on matters affecting the Group's overall strategic policies, finances, shareholder interests and corporate governance. Principle responsibilities of the Board include, but are not limited to, the following:

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

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

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

Corporate Governance Report

Board Composition

Following the appointment of two new Directors on February 1, 2008, the Board consists of six Group Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The composition of the Board of the Company is as follows:

Group Executive Director

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

Non-executive Director

Mr Vincent Ting Kau Cheung

Independent Non-executive Director

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

Effective from February 1, 2008, the roles of Chairman and Chief Executive Officer have been separated.

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

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

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

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

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

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

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

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

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

All Directors are subject to retirement by rotation at least once every three years pursuant to the Company's Articles of Association and the Listing Rules. Also, any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the first general meeting after their appointment. The biographical details and relevant relationships are set out on pages 28 to 31 of this annual report.

Every newly appointed Director is provided with orientation detailing the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong. Presentations are, as necessary, given by senior executives of the Company and external professionals. Training and updates are offered to Directors as necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business.

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

The Company has directors' and officers' liability insurance coverage in place to protect Directors from loss as a result of legal proceeding against the Company.

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

Compliance with the Model Code for Securities Transactions

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of the Directors regarding any non-compliance with the Model Code during the year ended December 31, 2007 and all of them confirmed that they have fully complied with the required standards as set out in the Model Code.

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

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

Board Meetings

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

The Board held six meetings during 2007. The summary at the end of this report sets out the attendance record of each Director. Proposed Board meeting dates for 2008 were set in the last Board meeting held in 2007 to facilitate maximum attendance of Directors. The meeting agenda is set by the Chairman in consultation with members of the Board.

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

Board Committees

The Board has delegated various responsibilities to an Audit Committee, a Nomination Committee and a Remuneration Committee. The majority of the members of each committee, other than Nomination Committee, are Independent Non-executive Directors. This ensures the independence of views and opinions expressed by the Directors at the respective committee meetings. The committees report back to the Board on their activities and decisions.

Audit Committee

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

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

The Audit Committee held five meetings during 2007, with 100% attendance rate, to review with the Group Chief Financial Officer, the Head of Internal Audit, other senior management and the external auditors, the Group's significant financial matters, internal controls, the Company's accounting principles and practices, risk management, financial reporting matters (including the interim and annual results for the Board's approval) and findings of internal and external auditors.

The Audit Committee has scheduled five regular meetings for 2008.

Nomination Committee

The main role and function of the Nomination Committee is to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitable candidates and make recommendations for consideration of the Board and shareholders.

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

The Nomination Committee held two meetings during 2007 with 100% attendance rate. Matters considered by the Nomination Committee during 2007 included:

- review of the independence of Independent Non-executive Directors
- review of the structure, size and composition of the Board

- recommendation to the Board on the appointment of Dr Roy Chi Ping Chung as Vice Chairman of the Company
- recommendation to the Board about the re-election of retiring Directors at the annual general meeting
- review the updated policy for the selection and nomination of directors, which was adopted by the Board on November 26, 2007
- review the updated terms of reference of the Nomination Committee

The Nomination Committee has scheduled two regular meetings for 2008.

Remuneration Committee

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

The Remuneration Committee is comprised of four members, and is chaired by Mr Vincent Ting Kau Cheung, the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann and Mr Joel Arthur Schleicher (appointed a member on April 17, 2007).

The Remuneration Committee held five meetings during 2007 with 100% attendance rate. The Remuneration Committee, among other things, considered the following matters during 2007:

- review of the remuneration policy of the Directors and senior management of the Group
- review of the updated terms of reference of the Remuneration Committee
- review of the new share option scheme, which was adopted at the annual general meeting held on May 29, 2007
- review of the Share Award Scheme, which was adopted by the Board on 9 January 2008

The Remuneration Committee has scheduled three regular meetings for 2008.

Accountability and Audit

The Board acknowledges its responsibility for the preparation of the accounts of the Company.

Internal Control

In respect of the year ended December 31, 2007, the Board has reviewed the internal control systems of the Group. The Board is responsible for approving and reviewing key internal control policies including delegated authorities, policy on market disclosure and investor relations, non-audit services and treasury management policy. An internal control system is designed to provide reasonable, but not absolute assurance that material misstatement or loss can be avoided, and to manage and minimise risks of failure in operational systems.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's system of internal control. The "Internal Control — Integrated Framework" developed by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") is used as a framework for the continuous review. In 2007, the review included:

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

The Board and senior management continuously update, develop and improve the internal control system of the Group.

External Auditors

The external auditors of the Group are Deloitte Touche Tohmatsu, and in 2007, Deloitte Touche Tohmatsu provided the following audit and non-audit services to the Group:

Nature of Services	Amount (HK$million)
External Audit Services	19.8
Taxation Consultancy Services	1.2
Other Consultancy Services	0.2

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

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

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

Investor Relations and Shareholder Communications

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

The Company continues to maintain an effective communication pathway by holding regular meetings with institutional shareholders and analysts. All of the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations at press conference can be easily accessed from the Company's website (www.ttigroup.com).

In addition, in order to enhance minority shareholders' rights, the Company has adopted the practice of voting by poll for all resolutions put forward at its annual general meetings and special general meetings. The Company discloses in its circulars to shareholders of convening a general meeting, the procedures for and the rights of shareholders to demand a poll in compliance with Rule 13.39(4) of the Listing Rules.

A summary of attendance of Board and Committee meetings in 2007 are detailed in the following table:

	Meetings attended/Held in 2007			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held during the year	6	5	2	5
Group Executive Directors				
Mr Horst Julius Pudwill	6/6		2/2	
Dr Roy Chi Ping Chung JP	6/6			
Mr Kin Wah Chan	6/6			
Mr Chi Chung Chan	6/6			
Mr Stephan Horst Pudwill	6/6			
Non-executive Director				
Mr Vincent Kau Ting Cheung	6/6		2/2	5/5
Independent Non-executive Directors				
Mr Joel Arthur Schleicher	6/6	5/5		*3/3
Mr Christopher Patrick Langley OBE	6/6	5/5	2/2	5/5
Mr Manfred Kuhlmann	6/6	5/5	2/2	5/5
Dates of meetings	January 22, 2007 April 18, 2007 May 14, 2007 May 28, 2007 August 21, 2007 November 26, 2007	January 22, 2007 April 16, 2007 May 28, 2007 August 20, 2007 November 26, 2007	April 17, 2007 November 26, 2007	January 22, 2007 March 6, 2007 April 17, 2007 May 29, 2007 November 26, 2007

* Mr Joel Arthur Schleicher was appointed as a member of Remuneration Committee on April 17, 2007

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2007.

Principal Activities

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

The principal activities of the principal subsidiaries and associates are set out in Notes 53 and 54 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended December 31, 2007 are set out in the consolidated income statement on page 58.

An interim dividend of HK6.50 cents per share amounting to HK$97,865,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK1.50 cents per share to the shareholders on the register of members on May 30, 2008, amounting to approximately HK$22,519,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately HK$199,939,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately HK$125,633,000 and plant and machinery for approximately HK$111,242,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 42 to the consolidated financial statements.

A total of 4,358,500 ordinary shares of HK$0.10 each were repurchased by the Company during the year at prices ranging from HK$6.48 to HK$9.25 per share. The aggregate amount paid by the Company for such repurchases amounting to HK$35,175,000, was charged to the retained earnings.

The repurchased shares were cancelled, the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

The repurchase of the Company's shares during the year were effected by the directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Share Capital *(continued)*

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Group Executive Directors:

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

Non-executive Director:

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors:

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

In accordance with Article 103 of the Company's Articles of Association, Messrs. Horst Julius Pudwill, Kin Wah Chan, Vincent Ting Kau Cheung and Joel Arthur Schleicher and in accordance with Article 94 of the Company's Articles of Association, Messrs. Joseph Galli Jr and Peter David Sullivan, will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

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

Directors' and Chief Executive's Interests

As at December 31, 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives)[1]	Interests in underlying shares pursuant to equity derivatives[1]	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	112,024,500	400,000	336,344,294	22.40%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	223,159,794[2]	—		
Dr Roy Chi Ping Chung JP	Beneficial owner	126,405,948	960,000	164,576,978	10.96%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030[3]	—		
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.07%
Mr Chi Chung Chan	Beneficial owner	—	3,000,000	3,000,000	0.20%
Mr Stephan Horst Pudwill	Beneficial owner	4,054,500	100,000	4,154,500	0.28%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	—	1,920,000	0.13%
Mr Joel Arthur Schleicher	Beneficial owner	100,000	300,000	460,000	0.03%
	Interests of spouse	—	60,000[1]		
Mr Christopher Patrick Langley OBE	Beneficial owner	500,000	200,000	700,000	0.05%
Mr Manfred Kuhlmann	Beneficial owner	—	100,000	100,000	0.01%

Directors' and Chief Executive's Interests *(continued)*

Notes:

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

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

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

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

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

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

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

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2007.

Share Options

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

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

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

Share Options *(continued)*

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

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

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

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

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

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

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

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

Share Options *(continued)*

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

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	28.6.2002	Scheme C	25,728,000	—	25,728,000	—	—	3.600	28.6.20002 – 27.6.2007
	19.9.2003	Scheme C	560,000	—	560,000	—	—	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 – 24.2.2009
Dr Roy Chi Ping Chung JP	28.6.2002	Scheme C	12,864,000	—	12,864,000	—	—	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	—	—	—	560,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 – 24.2.2009
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.525	1.3.2004 – 28.2.2009
Mr Chi Chung Chan	17.7.2003	Scheme C	1,000,000	—	—	—	1,000,000	7.625	17.7.2003 – 16.7.2008
	19.9.2003	Scheme C	500,000	—	—	—	500,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.170	25.2.2004 – 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	—	500,000	12.525	1.3.2004 – 28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000	—	—	—	100,000	12.525	1.3.2004 – 28.2.2009
Mr Joel Arthur Schleicher	17.7.2003	Scheme C	200,000	—	—	—	200,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 – 24.2.2009
Mr Christopher Patrick Langley OBE	17.7.2003	Scheme C	100,000	—	—	—	100,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 – 24.2.2009
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 – 6.2.2010
Total for directors			45,212,000	—	39,152,000	—	6,060,000		

Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	30.4.2002	Scheme C	1,215,000	—	1,215,000	—	—	3.200	30.4.2002 – 29.4.2007
	17.7.2003	Scheme C	2,674,000	—	20,000	48,000	2,606,000	7.625	17.7.2003 – 16.7.2008
	19.9.2003	Scheme C	204,000	—	—	—	204,000	8.685	19.9.2003 – 18.9.2008
	1.3.2004	Scheme C	5,897,000	—	—	813,000	5,084,000	12.525	1.3.2004 – 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	—	200,000	12.950	14.4.2004 – 13.4.2009
	5.5.2004	Scheme C	300,000	—	—	200,000	100,000	11.050	5.5.2004 – 4.5.2009
	7.6.2004	Scheme C	200,000	—	—	—	200,000	12.000	7.6.2004 – 6.6.2009
	2.10.2004	Scheme C	1,000,000	—	—	—	1,000,000	15.350	2.10.2004 – 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	—	250,000	15.710	13.12.2004 –12.12.2009
	17.1.2005	Scheme C	150,000	—	—	150,000	—	16.520	17.1.2005 – 16.1.2010
	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 – 6.2.2010
	7.4.2005	Scheme C	200,000	—	—	—	200,000	17.210	7.4.2005 – 6.4.2010
	27.4.2005	Scheme C	25,000	—	—	—	25,000	17.660	27.4.2005 – 26.4.2010
	10.5.2005	Scheme C	200,000	—	—	200,000	—	17.200	10.5.2005 – 9.5.2010
	1.6.2005	Scheme C	20,000	—	—	—	20,000	17.420	1.6.2005 – 31.5.2010
	17.6.2005	Scheme C	250,000	—	—	—	250,000	17.950	17.6.2005 – 16.6.2010
	27.6.2005	Scheme C	500,000	—	—	—	500,000	19.200	27.6.2005 – 26.6.2010
	1.1.2006	Scheme C	300,000	—	—	—	300,000	18.690	1.1.2006 –31.12.2010
	1.3.2006	Scheme C	3,564,000	—	—	287,000	3,277,000	13.970	1.3.2006 – 28.2.2011
	10.3.2006	Scheme C	150,000	—	—	150,000	—	14.350	10.3.2006 – 9.3.2011
	25.4.2006	Scheme C	20,000	—	—	—	20,000	13.700	25.4.2006 – 24.4.2011
	15.6.2006	Scheme C	200,000	—	—	—	200,000	10.270	15.6.2006 – 14.6.2011
	17.6.2006	Scheme C	350,000	—	—	—	350,000	10.550	17.6.2006 – 16.6.2011
	3.7.2006	Scheme C	25,000	—	—	—	25,000	10.700	3.7.2006 – 2.7.2011
	4.10.2006	Scheme C	75,000	—	—	—	75,000	11.628	4.10.2006 – 3.10.2011
	1.11.2006	Scheme C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006 –31.10.2011
	3.11.2006	Scheme C	100,000	—	—	—	100,000	11.480	3.11.2006 – 2.11.2011
	8.11.2006	Scheme C	30,000	—	—	—	30,000	12.200	8.11.2006 – 7.11.2011
	4.12.2006	Scheme C	150,000	—	—	—	150,000	10.952	4.12.2006 – 3.12.2011
	13.12.2006	Scheme C	20,000	—	—	—	20,000	10.560	13.12.2006 –11.12.2011
	1.1.2007	Scheme C	—	150,000	—	—	150,000	10.080	1.1.2007 –31.12.2011
	6.3.2007	Scheme C	—	7,460,000	—	130,000	7,330,000	10.572	6.3.2007 – 5.3.2012
	20.7.2007	Scheme D	—	300,000	—	—	300,000	10.060	20.7.2007 – 19.7.2012
	24.8.2007	Scheme D	—	2,740,000	—	30,000	2,710,000	8.390	24.8.2007 – 23.8.2017
	16.10.2007	Scheme D	—	75,000	—	—	75,000	8.810	16.10.2007 –17.10.2017
	7.11.2007	Scheme D	—	40,000	—	—	40,000	8.088	7.11.2007 – 6.11.2017
	23.11.2007	Scheme D	—	500,000	—	—	500,000	7.578	23.11.2007 –22.11.2017
Total for employees			19,869,000	11,265,000	1,235,000	2,008,000	27,891,000		
Total for all categories			65,081,000	11,265,000	40,387,000	2,008,000	33,951,000		

Share Options *(continued)*

The weighted average closing prices of options on their grant date during 2007 and 2006 were HK$9.71 and HK$13.00 respectively.

The closing prices of the Company's shares immediately before various dates of grant ranged from HK$7.50 to HK$10.12.

The weighted average closing prices of the Company's shares immediately before various dates during 2007 and 2006 on which the share options were exercised were HK$10.98 and HK$14.81 respectively.

The fair values of the share options granted in 2007 and 2006 measured at various dates of grant ranged from HK$1.56 to HK$2.61 and HK$2.46 to HK$4.72 per option respectively.

Arrangements to Purchase Shares or Debentures

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

Directors' Interests in Contracts of Significance

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

Substantial Shareholders' Interests

As at December 31, 2007, the interests and short positions of the following persons, other than directors and the chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Substantial Shareholders' Interests *(continued)*

Name	Total interests in shares (L/S)*	Approximate aggregate percentage of interests
Capital Research and Management Company[1]	117,596,600 (L)	7.83% (L)
Prudential Plc[2]	104,024,130 (L)	6.93% (L)
Morgan Stanley[3]	119,828,080 (L)	7.98% (L)
	119,793,997 (S)	7.98% (S)
Och Daniel Saul[4]	262,771,800 (L)	17.50% (L)

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

Notes:

(1) Funds managed by Capital Research and Management Company hold 117,596,600 shares.

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

		Total interests in shares				
Name	Remarks	Direct interests	(L/S)	Deemed interests	(L/S)	Approximate percentage of interests
Prudential Plc	(2a)	—	—	104,024,130	(L)	6.93%
Prudential Holdings Ltd	(2b)	—	—	104,024,130	(L)	6.93%
Prudential Corporation Holdings Ltd.	(2b)	—	—	104,024,130	(L)	6.93%
Prudential Asset Management (Hong Kong) Ltd	(2b)	104,024,130	(L)	—	—	6.93%

Remarks:

(2a) Prudential Plc is listed on the London Stock Exchange.

The capacity of Prudential Plc in holding 104,024,130 shares was as a controlled corporation.

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

Notes: *(continued)*

(3) The following is a breakdown of the interests in shares of Morgan Stanley:

		Total interests in shares				
Name	Remarks	Direct interests	(L/S)	Deemed interests	(L/S)	Approximate percentage of interests
Morgan Stanley	(3a)	—	—	119,828,080	(L)	7.98%
		—	—	119,793,997	(S)	7.98%
Morgan Stanley Capital Management, L.L.C.	(3b)	—	—	107,241,949	(L)	7.14%
		—	—	109,321,866	(S)	7.28%
Morgan Stanley Domestic Holdings, Inc.	(3b)	—	—	107,241,949	(L)	7.14%
		—	—	109,321,866	(S)	7.28%
Morgan Stanley International Incorporated	(3b)	—	—	107,241,949	(L)	7.14%
		—	—	109,321,866	(S)	7.28%
Morgan Stanley International Limited	(3b)	—	—	107,204,449	(L)	7.14%
		—	—	109,321,866	(S)	7.28%
Morgan Stanley Group (Europe)	(3b)	—	—	107,204,449	(L)	7.14%
		—	—	109,321,866	(S)	7.28%
Morgan Stanley UK Group	(3b)	—	—	107,204,449	(L)	7.14%
		—	—	109,321,866	(S)	7.28%
Morgan Stanley & Co. International plc.	(3b)	107,204,449	(L)	—	—	7.14%
		109,321,866	(S)	—	—	7.28%
Morgan Stanley Swiss Holdings GmbH	(3b)	37,500	(L)	—	—	0.00%
Morgan Stanley Capital Services Inc.	(3b)	2,114,000	(L)	—	—	0.14%
Morgan Stanley & Co. Inc.	(3b)	10,472,131	(L)	—	—	0.70%
		10,472,131	(S)	—	—	0.70%

Remarks:

(3a) Morgan Stanley is listed on the New York Stock Exchange.

The capacity of Morgan Stanley in holding the 119,828,080 shares of long position and 119,793,997 shares of short position respectively were as a controlled corporation.

(3b) Morgan Stanley Capital Management, L.L.C., Morgan Stanley Domestic Holdings, Inc., Morgan Stanley International Incorporated, Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co International plc., Morgan Stanley Swiss Holdings GmbH, Morgan Stanley Capital Services Inc., and Morgan Stanley & Co. Inc. were all direct or indirect subsidiaries of Morgan Stanley and by virtue of the SFO, Morgan Stanley was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

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

Name	Remarks	Total interests in shares Direct interests	(L/S)	Deemed interests	(L/S)	Approximate percentage of interests
Och Daniel Saul	(4a)	—	—	262,771,800	(L)	17.50%
Och-Ziff Capital Management Group LLC	(4a)	—	—	262,771,800	(L)	17.50%
Och-Ziff Holding Corporation	(4a)	—	—	262,771,800	(L)	17.50%
OZ Management L.P.	(4a)	262,771,800	(L)	—	—	17.50%
OZ Asia Master Fund, Ltd.	(4a)	128,691,400	(L)	—	—	8.57%
OZ Master Fund, Ltd.	(4a)	122,024,200	(L)	—	—	8.13%
Fleet Maritime, Inc.	(4a)	2,275,300	(L)	—	—	0.15%
GPV LVII LLC	(4a)	2,544,900	(L)	—	—	0.17%
Goldman Sachs & Co. Profit Sharing Master Trust	(4a)	1,553,900	(L)	—	—	0.10%
OZ Global Special Investments Master Fund, L.P.	(4a)	5,682,100	(L)	—	—	0.38%

Remarks:

(4a) The interests of Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation, OZ Management, L.P., OZ Asia Master Fund, Ltd., OZ Master Fund, Ltd., Fleet Maritime, Inc., GPV LVII LLC, Goldman Sachs & Co. Profit Sharing Master Trust and OZ Global Special Investments Master Fund, L.P. were all attributed to Och Daniel Saul by virtue of the SFO.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at December 31, 2007.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2007.

Donations

During the year, the Group made charitable and other donations totalling HK$4,937,000.

Auditor

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

On behalf of the Board

Horst Julius Pudwill
Chairman
Hong Kong
April 16, 2008

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 134, which comprise the consolidated and Company balance sheets as at December 31, 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 16, 2008

Consolidated Income Statement

For the year ended December 31, 2007

	Notes	2007 HK$'000	2006 HK$'000	2007 US$'000 (Note 55)	2006 US$'000 (Note 55)
Turnover	6	**24,774,987**	21,822,597	**3,176,280**	2,797,769
Cost of sales		**(16,965,980)**	(14,929,737)	**(2,175,125)**	(1,914,069)
Gross profit		**7,809,007**	6,892,860	**1,001,155**	883,700
Other income	7	**377,464**	43,423	**48,393**	5,567
Interest income	8	**97,658**	91,454	**12,520**	11,725
Selling, distribution, advertising and warranty expenses		**(3,478,699)**	(2,529,631)	**(445,987)**	(324,312)
Administrative expenses		**(2,898,057)**	(2,414,135)	**(371,546)**	(309,504)
Research and development costs		**(535,134)**	(428,311)	**(68,607)**	(54,912)
Finance costs	9	**(459,779)**	(391,679)	**(58,946)**	(50,215)
Profit before restructuring costs, other restructuring and transition costs, share of results of associates and taxation		**912,460**	1,263,981	**116,982**	162,049
Restructuring costs	35	**(668,481)**	—	**(85,703)**	—
Other restructuring and transition costs	35	**(74,537)**	—	**(9,556)**	—
Share of results of associates		**(270)**	(895)	**(35)**	(115)
Profit before taxation		**169,172**	1,263,086	**21,688**	161,934
Taxation	10	**(38,999)**	(184,017)	**(5,000)**	(23,592)
Profit for the year	11	**130,173**	1,079,069	**16,688**	138,342
Attributable to:					
Equity holders of the parent		**125,257**	1,071,864	**16,058**	137,418
Minority interests		**4,916**	7,205	**630**	924
		130,173	1,079,069	**16,688**	138,342
Dividends paid	14	**287,501**	279,845	**36,859**	35,878
Earnings per share (HK/US cents)	15				
Basic		**8.41**	73.18	**1.08**	9.38
Diluted		**7.40**	70.12	**0.95**	8.99

Consolidated Balance Sheet

As at December 31, 2007

	Notes	2007 HK$'000	2006 HK$'000	2007 US$'000 (Note 55)	2006 US$'000 (Note 55)
Assets					
Non-current assets					
Property, plant and equipment	16	**2,612,534**	1,791,746	**334,940**	229,711
Lease prepayments	17	**78,799**	66,659	**10,102**	8,546
Goodwill	18	**4,164,129**	4,042,996	**533,863**	518,333
Intangible assets	19	**2,176,077**	1,620,181	**278,984**	207,716
Interests in associates	22	**203,637**	192,989	**26,107**	24,742
Available-for-sale investments	23	**17,058**	43,315	**2,187**	5,553
Deferred tax assets	45	**762,907**	706,493	**97,809**	90,576
		10,015,141	8,464,379	**1,283,992**	1,085,177
Current assets					
Inventories	24	**5,951,606**	4,019,883	**763,026**	515,370
Trade and other receivables	25	**4,471,844**	3,827,038	**573,313**	490,646
Deposits and prepayments		**470,147**	544,977	**60,275**	69,869
Bills receivable	26	**469,002**	578,560	**60,128**	74,174
Tax recoverable		**271,134**	150,312	**34,761**	19,271
Trade receivables from associates	28	**10,053**	8,554	**1,289**	1,097
Held-for-trading investments	29	**17,192**	7,800	**2,204**	1,000
Bank balances, deposits and cash	30	**3,293,327**	3,718,798	**422,221**	476,769
		14,954,305	12,855,922	**1,917,217**	1,648,196
Current liabilities					
Trade and other payables	31	**4,466,407**	3,118,120	**572,617**	399,759
Bills payable	32	**299,223**	335,455	**38,362**	43,007
Warranty provision	33	**474,386**	369,638	**60,819**	47,389
Trade payable to an associate	34	**—**	11,811	**—**	1,514
Tax payable		**286,069**	168,769	**36,676**	21,637
Restructuring provision	35	**418,380**	—	**53,638**	—
Obligations under finance leases					
— due within one year	36	**17,635**	18,535	**2,261**	2,376
Discounted bills with recourse	37	**3,036,449**	2,501,155	**389,288**	320,661
Unsecured borrowings					
— due within one year	41	**2,566,503**	421,849	**329,038**	54,083
Bank overdrafts	30	**418,369**	268,725	**53,637**	34,452
		11,983,421	7,214,057	**1,536,336**	924,878
Net current assets		**2,970,884**	5,641,865	**380,881**	723,318
Total assets less current liabilities		**12,986,025**	14,106,244	**1,664,873**	1,808,495

Consolidated Balance Sheet

	Notes	2007 HK$'000	2006 HK$'000	2007 US$'000 (Note 55)	2006 US$'000 (Note 55)
Capital and Reserves					
Share capital	42	**150,125**	146,522	**19,247**	18,785
Reserves		**6,770,000**	6,850,008	**867,947**	878,208
Equity attributable to equity holders of the parent		**6,920,125**	6,996,530	**887,194**	896,993
Minority interests		**91,303**	81,445	**11,706**	10,442
Total equity		**7,011,428**	7,077,975	**898,900**	907,435
Non-current Liabilities					
Obligations under finance leases					
— due after one year	36	**134,693**	125,529	**17,268**	16,093
Convertible bonds	38	**98,299**	1,105,834	**12,602**	141,774
Unsecured borrowings					
— due after one year	41	**4,240,475**	4,464,353	**543,650**	572,353
Retirement benefits obligations	44	**980,528**	834,087	**125,709**	106,934
Deferred tax liabilities	45	**520,602**	498,466	**66,744**	63,906
		5,974,597	7,028,269	**765,973**	901,060
		12,986,025	14,106,244	**1,664,873**	1,808,495

The financial statements on pages 58 to 134 were approved and authorised for issue by the Board of Directors on April 16, 2008 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Dr Roy Chi Ping Chung JP
Vice Chairman

Balance Sheet

As at December 31, 2007

	Notes	2007 HK$'000	2006 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	16	**200,731**	196,753
Lease prepayments	17	**4,385**	4,514
Intangible assets	19	**278,013**	220,192
Investments in subsidiaries	21	**1,182,712**	630,546
Interests in associates	22	**196,939**	184,638
Available-for-sale investments	23	**1,695**	1,195
		1,864,475	1,237,838
Current assets			
Inventories	24	**590,752**	428,805
Trade and other receivables	25	**29,838**	44,663
Deposits and prepayments		**288,819**	406,444
Bills receivable	26	**214,926**	349,825
Amounts due from subsidiaries	27	**7,917,745**	5,969,107
Bank balances, deposits and cash	30	**580,400**	1,347,008
		9,622,480	8,545,852
Current liabilities			
Trade and other payables	31	**826,866**	639,384
Bills payable	32	**283,013**	312,553
Amounts due to subsidiaries	27	**70,646**	17,934
Trade payable to an associate	34	**—**	11,811
Tax payable		**27,029**	10,126
Obligations under finance leases — due within one year	36	**827**	—
Discounted bills with recourse	37	**2,327,957**	1,859,874
Unsecured borrowings — due within one year	41	**1,910,951**	38,889
		5,447,289	2,890,571
Net current assets		**4,175,191**	5,655,281
Total assets less current liabilities		**6,039,666**	6,893,119

Balance Sheet

	Notes	**2007 HK$'000**	2006 HK$'000
Capital and Reserves			
Share capital	42	**150,125**	146,522
Reserves	43	**5,778,623**	5,391,935
		5,928,748	5,538,457
Non-current Liabilities			
Obligations under finance leases — due after one year	36	**2,501**	—
Convertible bonds	38	**98,299**	1,105,834
Unsecured borrowings — due after one year	41	**—**	233,334
Deferred tax liabilities	45	**10,118**	15,494
		110,918	1,354,662
		6,039,666	6,893,119

Chi Chung Chan
Group Executive Director

Dr Roy Chi Ping Chung JP
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2007

	Equity attributable to equity holders of the parent									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At January 1, 2006	146,172	2,732,809	—	26,334	(6,205)	6,703	3,206,526	6,112,339	120,670	6,233,009
Exchange differences on translation of foreign operations	—	—	—	—	62,691	—	—	62,691	146	62,837
Net income recognised directly in equity	—	—	—	—	62,691	—	—	62,691	146	62,837
Profit for the year	—	—	—	—	—	—	1,071,864	1,071,864	7,205	1,079,069
Total recognised income and expense for the year	—	—	—	—	62,691	—	1,071,864	1,134,555	7,351	1,141,906
Shares issued at a premium	350	22,040	—	—	—	—	—	22,390	—	22,390
Recognition of equity-settled share based payments	—	—	—	—	—	7,091	—	7,091	—	7,091
Final dividend — 2005	—	—	—	—	—	—	(184,609)	(184,609)	—	(184,609)
Interim dividend — 2006	—	—	—	—	—	—	(95,236)	(95,236)	—	(95,236)
Interim dividend — 2006 paid by a subsidiary to minority interests	—	—	—	—	—	—	—	—	(39,005)	(39,005)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(7,571)	(7,571)
At December 31, 2006	146,522	2,754,849	—	26,334	56,486	13,794	3,998,545	6,996,530	81,445	7,077,975
Exchange differences on translation of foreign operations	—	—	—	—	1,842	—	—	1,842	62	1,904
Net income recognised directly in equity	—	—	—	—	1,842	—	—	1,842	62	1,904
Profit for the year	—	—	—	—	—	—	125,257	125,257	4,916	130,173
Total recognised income and expense for the year	—	—	—	—	1,842	—	125,257	127,099	4,978	132,077
Shares issued at a premium	4,039	143,797	—	—	—	—	—	147,836	—	147,836
Repurchase of shares	(436)	—	436	—	—	—	(35,175)	(35,175)	—	(35,175)
Effect of early redemption of convertible bonds	—	—	—	(49,920)	—	—	—	(49,920)	—	(49,920)
Release of deferred tax liabilities on early redemption of convertible bonds	—	—	—	5,101	—	—	—	5,101	—	5,101
Transfer to retained earnings upon early redemption of convertible bonds	—	—	—	20,770	—	—	(20,770)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	16,155	—	16,155	—	16,155
Share options lapsed	—	—	—	—	—	(2,152)	2,152	—	—	—
Final dividend — 2006	—	—	—	—	—	—	(189,636)	(189,636)	—	(189,636)
Interim dividend — 2007	—	—	—	—	—	—	(97,865)	(97,865)	—	(97,865)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	4,880	4,880
At December 31, 2007	**150,125**	**2,898,646**	**436**	**2,285**	**58,328**	**27,797**	**3,782,508**	**6,920,125**	**91,303**	**7,011,428**

Consolidated Cash Flow Statement

For the year ended December 31, 2007

	Note	2007 HK$'000	2006 HK$'000	2007 US$'000 (Note 55)	2006 US$'000 (Note 55)
Operating Activities					
Profit before taxation		**169,172**	1,263,086	**21,688**	161,934
Adjustments for:					
Amortisation/write-off of intangible assets		**130,940**	89,417	**16,787**	11,464
Amortisation of lease prepayments		**1,544**	1,402	**198**	180
Depreciation on property, plant and equipment		**559,972**	451,278	**71,791**	57,856
Employee share-based payments		**16,155**	7,091	**2,071**	909
Finance costs		**459,779**	391,679	**58,946**	50,215
Interest income		**(97,658)**	(91,454)	**(12,520)**	(11,725)
Loss (gain) on disposal of property, plant and equipment		**74,694**	(6,926)	**9,576**	(888)
Share of the results of associates		**270**	895	**35**	115
Discount on acquisition of subsidiaries taken to income		**(49,340)**	—	**(6,326)**	—
Change in fair value of held-for-trading investments		**(5,571)**	—	**(714)**	—
Operating cash flows before movements in working capital		**1,259,957**	2,106,468	**161,532**	270,060
(Increase) decrease in inventories		**(1,213,207)**	40,697	**(155,539)**	5,218
Decrease (increase) in trade and other receivables, deposits and prepayments		**153,767**	(549,199)	**19,714**	(70,410)
Decrease (increase) in bills receivable		**124,414**	(133,105)	**15,951**	(17,065)
Increase in trade receivables from associates		**(1,499)**	(7,244)	**(192)**	(929)
Increase in held-for-trading investments		**(3,610)**	(7,800)	**(463)**	(1,000)
Increase (decrease) in trade and other payables		**343,276**	(522,540)	**44,010**	(66,992)
Decrease in bills payable		**(36,232)**	(215,509)	**(4,645)**	(27,629)
Increase in restructuring provision		**418,380**	—	**53,638**	—
(Decrease) increase in warranty provision		**(22,637)**	26,164	**(2,902)**	3,354
Decrease in trade payable to an associate		**(11,811)**	(10,135)	**(1,514)**	(1,299)
Decrease in retirement benefit obligations		**(39,178)**	(25,729)	**(5,023)**	(3,299)
Cash generated from operations		**971,620**	702,068	**124,567**	90,009
Interest paid		**(474,231)**	(364,152)	**(60,799)**	(46,686)
Hong Kong profits tax paid		**(79,408)**	(59,577)	**(10,181)**	(7,638)
Overseas tax paid		**(50,795)**	(227,893)	**(6,512)**	(29,217)
Hong Kong profits tax refunded		**15,735**	440	**2,017**	56
Overseas tax refunded		**37,218**	17,902	**4,772**	2,295
Net Cash from Operating Activities		**420,139**	68,788	**53,864**	8,819

	Note	2007 HK$'000	2006 HK$'000	2007 US$'000 (Note 55)	2006 US$'000 (Note 55)
Investing Activities					
Purchase of property, plant and equipment		**(855,996)**	(471,742)	**(109,743)**	(60,480)
Additions to intangible assets		**(230,096)**	(242,846)	**(29,499)**	(31,134)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	46	**(923,504)**	—	**(118,398)**	—
Purchase of additional interest in subsidiaries		**—**	(54,074)	**—**	(6,933)
Purchase of available-for-sale investments		**(850)**	(27,757)	**(109)**	(3,559)
Advances to associates		**(10,918)**	(4,431)	**(1,400)**	(568)
Interest received		**97,658**	91,454	**12,520**	11,725
Proceeds from disposal of property, plant and equipment		**24,066**	34,913	**3,085**	4,476
Net Cash Used in Investing Activities		**(1,899,640)**	(674,483)	**(243,544)**	(86,473)
Financing Activities					
Increase in discounted bills with recourse		**535,294**	399,984	**68,627**	51,280
New bank loans obtained		**3,324,765**	295,247	**426,252**	37,852
(Decrease) increase in trust receipt loans		**(104,060)**	24,744	**(13,341)**	3,172
Proceeds from issue of shares		**147,836**	22,390	**18,953**	2,871
Repurchase of shares		**(35,175)**	—	**(4,510)**	—
Dividends paid		**(287,501)**	(279,845)	**(36,859)**	(35,878)
Repayment of bank loans		**(1,405,849)**	(98,716)	**(180,237)**	(12,656)
Repayment of convertible bonds		**(1,043,003)**	—	**(133,718)**	—
Dividend paid to minority shareholders		**—**	(39,005)	**—**	(5,001)
Repayment of obligations under finance leases		**(10,914)**	(13,346)	**(1,399)**	(1,711)
Net Cash from Financing Activities		**1,121,393**	311,453	**143,768**	39,929
Net Decrease in Cash and Cash Equivalents		**(358,108)**	(294,242)	**(45,912)**	(37,725)
Cash and Cash Equivalents at Beginning of the Year		**3,450,073**	3,807,194	**442,317**	488,102
Effect of Foreign Exchange Rate Changes		**(217,007)**	(62,879)	**(27,821)**	(8,060)
Cash and Cash Equivalents at End of the Year		**2,874,958**	3,450,073	**368,584**	442,317
Analysis of the Balances of Cash and Cash Equivalents					
Represented by:					
Bank balances, deposits and cash		**3,293,327**	3,718,798	**422,221**	476,769
Bank overdrafts		**(418,369)**	(268,725)	**(53,637)**	(34,452)
		2,874,958	3,450,073	**368,584**	442,317

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

1. General

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

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

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

2. Application of New Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standards ("HKAS" and "HKFRS"), amendment and interpretations ("HK(IFRIC)") (collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on January 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arranagements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after January 1, 2009
[2] Effective for annual periods beginning on or after July 1, 2009
[3] Effective for annual periods beginning on or after March 1, 2007
[4] Effective for annual periods beginning on or after January 1, 2008
[5] Effective for annual periods beginning on or after July 1, 2008

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

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of Consolidation

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

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

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

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

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

Acquisition of Additional Interests in Subsidiaries

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

Business Combinations

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

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

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

3. Significant Accounting Policies *(continued)*

Goodwill

Goodwill arising on acquisitions prior to January 1, 2005

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

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

Goodwill arising on acquisitions on or after January 1, 2005

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

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

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

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

Investments in Subsidiaries

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

Interests in Associates

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

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

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

3. Significant Accounting Policies *(continued)*

Intangible Assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Research and Development Expenditure

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

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

The amount initially recognised for 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.

Leasing

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

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

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

3. Significant Accounting Policies *(continued)*

Leasehold Land and Buildings

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

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

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

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

Impairment Losses on Tangible and Intangible Assets other than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, trade receivables from associates, amounts due from subsidiaries, bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

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

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables and trade receivables from associates, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible bonds

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

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity *(continued)*

Other financial liabilities

Other financial liabilities (including unsecured borrowings, trade payables and other payables, bills payable, trade payable to an associate, obligation under finance leases, discounted bills with recourse, bank overdrafts and amount due to subsidiaries/associates) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Share repurchase

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

Derecognition

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

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

Provisions

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

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

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

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

Inventories

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

3. Significant Accounting Policies *(continued)*

Revenue Recognition

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

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

Commission income is recognised when services are provided.

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

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 by the balance sheet date.

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

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

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

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 in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

3. Significant Accounting Policies *(continued)*

Foreign Currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, 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.

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

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

Borrowing Costs

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

Equity-settled Share-Based Payment Transactions

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

3. Significant Accounting Policies *(continued)*

Retirement Benefit Schemes

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

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

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

4. Key Sources of Accounting Estimates

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

Estimated Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at December 31, 2007, the carrying amount of goodwill is HK$4,164,129,000 (2006: HK$4,042,996,000). Details of the recoverable amount calculation are disclosed in Note 20.

Estimated Impairment of Intangible Assets

During the year, management reassessed the carrying amount of its intangible assets. As at December 31, 2007, the carrying amount of intangible assets is HK$2,176,077,000 (2006: HK$1,620,181,000). In determining whether the intangible asset is impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material loss may arise. Management is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

Useful lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2007, the carrying amount of property, plant and equipment is HK$2,612,534,000 (2006: HK$1,791,746,000). The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life and dates that the Group place the equipment into production use reflects the directors estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

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

Income Taxes

As at December 31, 2007, a deferred tax asset of HK$196,557,000 (2006: HK$195,563,000) in relation to unused tax losses and HK$116,660,000 (2006: HK$156,598,000) in relation to employee related provisions has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

Restructuring Provision

During the year, the Group implemented a strategic repositioning plan to close down some manufacturing plants and transfer certain production capabilities to Mainland China. This resulted in a provision for restructuring charges. As at December 31, 2007, the carrying amount of restructuring provision is HK$418,380,000 (2006: nil). The restructuring provision includes only the direct expenditures arising from the restructuring, which are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Also, the provision is recognised in the balance sheet on conditions that an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

5. Business and Geographical Segments

Business Segments

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

Income Statement

For the year ended December 31, 2007

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

Inter-segment sales are charged at prevailing market rates.

	Power Equipment HK$'000	Floor care HK$'000	Eliminations HK$'000	Consolidated HK$'000
Result				
Segment results before restructuring costs and other restructuring and transition costs	1,225,677	146,562	—	1,372,239
Restructuring costs	(267,783)	(400,698)	—	(668,481)
Other restructuring and transition costs	(40,346)	(34,191)	—	(74,537)
Segment results after restructuring costs and other restructuring and transition costs	917,548	(288,327)	—	629,221
Finance costs				(459,779)
Share of results of associates				(270)
Profit before taxation				169,172
Taxation				(38,999)
Profit for the year				130,173

5. Business and Geographical Segments *(continued)*

Business Segments *(continued)*

Balance Sheet

As at December 31, 2007

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

Other Information

For the year ended December 31, 2007

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

5. Business and Geographical Segments *(continued)*

Business Segments *(continued)*

Income Statement

For the year ended December 31, 2006

	Power Equipment HK$'000	Floor care HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	17,115,746	4,706,851	—	21,822,597
Inter-segment sales	14,914	207,099	(222,013)	—
Total	17,130,660	4,913,950	(222,013)	21,822,597

Inter-segment sales are charged at prevailing market rates

Result				
Segment results	1,462,030	193,630	—	1,655,660
Finance costs				(391,679)
Share of results of associates				(895)
Profit before taxation				1,263,086
Taxation				(184,017)
Profit for the year				1,079,069

5. Business and Geographical Segments *(continued)*

Business Segments *(continued)*

Balance Sheet

As at December 31, 2006

	Power Equipment HK$'000	Floor care HK$'000	Consolidated HK$'000
Assets			
Segment assets	13,580,527	2,971,182	16,551,709
Interests in associates			192,989
Unallocated corporate assets			4,575,603
Consolidated total assets			21,320,301
Liabilities			
Segment liabilities	(5,756,797)	(1,565,884)	(7,322,681)
Unallocated corporate liabilities			(6,919,645)
Consolidated total liabilities			(14,242,326)

Other Information

For the year ended December 31, 2006

	Power Equipment HK$'000	Floor care HK$'000	Consolidated HK$'000
Capital additions	665,394	102,641	768,035
Depreciation and amortisation	433,635	108,462	542,097

The Laser and Electronics segment has been grouped under the Floor Care segment this year as group management has concluded that both segments have the same marketing channels and enhance the consumer household brand category in a wide range of products.

5. Business and Geographical Segments *(continued)*

Geographical Segments

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

	Turnover	
	2007	2006
	HK$'000	HK$'000
By geographical market location:		
North America	**18,103,801**	16,081,779
Europe	**5,688,905**	4,594,386
Other countries	**982,281**	1,146,432
	24,774,987	21,822,597

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong and People's Republic of China ("PRC")	**4,698,247**	3,323,091	**751,379**	416,928
North America	**11,625,020**	9,619,512	**186,179**	155,701
Europe	**3,590,628**	3,201,559	**168,637**	160,488
Other countries	**524,546**	407,547	**77,842**	34,918
	20,438,441	16,551,709	**1,184,037**	768,035

6. Turnover

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

	2007	2006
	HK$'000	HK$'000
Sale of goods	**24,768,061**	21,751,691
Commission income	—	6,403
Royalty income	**6,926**	64,503
	24,774,987	21,822,597

7. Other Income

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

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

8. Interest Income

	2007 HK$'000	2006 HK$'000
Interest earned on bank deposits	**87,495**	81,542
Interest earned on amount due from an associate	**10,163**	9,912
	97,658	91,454

9. Finance Costs

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**224,724**	129,075
Obligations under finance leases	**9,567**	6,805
Fixed interest rate notes	**239,940**	228,272
Effective interest expense on convertible bonds	**14,385**	27,527
Total interest	**488,616**	391,679
Debt extinguishment gain	**(28,837)**	—
	459,779	391,679

10. Taxation

	2007 HK$'000	2006 HK$'000
Current tax:		
Hong Kong profits tax	**89,698**	52,813
Underprovision in prior years	**8,877**	3,272
	98,575	56,085
Overseas taxation	**(6,589)**	187,453
Overprovision in prior years	**(16,329)**	(2,804)
	(22,918)	184,649
Deferred tax (Note 45):		
Current year	**(35,925)**	(56,717)
Attributable to a change in tax rate	**(733)**	—
	(36,658)	(56,717)
	38,999	184,017

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years.

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

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

The tax expenses for the year are reconciled as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**169,172**	1,263,086
Tax at Hong Kong profits tax rate	**29,606**	221,040
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(116,307)**	75,955
Tax effect of expenses not deductible for tax purposes	**129,127**	37,306
Tax effect of income not taxable for tax purposes	**(131,509)**	(153,758)
Tax effect of temporary differences not recognised	**186,548**	14,448
Recognition of temporary differences previously not recognised	**(50,833)**	(10,500)
(Over)underprovision in respect of prior years	**(7,452)**	468
Others	**(181)**	(942)
Tax expenses for the year	**38,999**	184,017

Details of deferred tax are set out in Note 45.

11. Profit for the Year

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**130,940**	89,417
Auditors' remuneration	**22,112**	18,234
Amortisation of lease prepayments	**1,544**	1,402
Change in fair value of held-for-trading investments	**5,571**	—
Depreciation on property, plant and equipment		
Owned assets	**553,526**	441,970
Assets held under finance leases	**6,446**	9,308
Impairment loss on trade receivables	**21,960**	8,038
Loss (gain) on disposal of property, plant and equipment	**74,694**	(6,926)
Discount on acquisition of subsidiaries taken to income	**(49,340)**	—
Net exchange gain	**(228,279)**	(8,438)
Operating lease expenses recognised in respect of:		
Premises	**135,236**	125,756
Motor vehicles	**45,604**	39,439
Plant and machinery	**35,231**	21,299
Other assets	**26,415**	23,794
Write down of inventories	**100,079**	37,655
Staff costs		
Directors' remuneration		
Fees	**1,000**	1,000
Other emoluments	**49,905**	48,900
	50,905	49,900
Other staff costs	**2,588,661**	2,006,006
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**69,556**	93,331
Defined benefit plans	**43,027**	21,102
	2,752,149	2,170,339

Staff costs disclosed above do not include an amount of HK$434,599,000 (2006: HK$285,968,000) relating to research and development activities, which is included under research and development costs.

The net exchange gain arisen during the year was derived from the operations of the Group, but not related to financial instruments held for trading.

12. Directors' Emoluments

The emoluments paid or payable to each of the 9 (2006: 9) directors were as follows:

For the year ended December 31, 2007

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Share-based payments HK$'000	Total HK$'000
Mr Horst Julius Pudwill	—	**25,547**	**12**	—	**25,559**
Dr Roy Chi Ping Chung JP	—	**8,527**	**12**	—	**8,539**
Mr Kin Wah Chan	—	**6,325**	**12**	—	**6,337**
Mr Chi Chung Chan	—	**6,340**	**12**	—	**6,352**
Mr Stephan Horst Pudwill	—	**1,720**	**12**	—	**1,732**
Mr Vincent Ting Kau Cheung	**250**	**220**	—	—	**470**
Mr Joel Arthur Schleicher	**250**	**386**	—	—	**636**
Mr Christopher Patrick Langley OBE	**250**	**390**	—	—	**640**
Mr Manfred Kuhlmann	**250**	**390**	—	—	**640**
Total	**1,000**	**49,845**	**60**	—	**50,905**

For the year ended December 31, 2006

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Share-based payments HK$'000	Total HK$'000
Mr Horst Julius Pudwill	—	25,516	12	—	25,528
Dr Roy Chi Ping Chung JP	—	8,441	12	—	8,453
Mr Kin Wah Chan	—	5,977	12	—	5,989
Mr Chi Chung Chan	—	6,039	12	—	6,051
Mr Stephan Horst Pudwill	—	1,695	12	—	1,707
Mr Vincent Ting Kau Cheung	250	183	—	—	433
Mr Joel Arthur Schleicher	250	305	—	—	555
Mr Christopher Patrick Langley OBE	250	342	—	—	592
Mr Manfred Kuhlmann	250	342	—	—	592
Total	1,000	48,840	60	—	49,900

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2006: four) were group directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining one (2006: one) individual was as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**11,615**	4,863
Contributions to retirement benefits schemes	**12**	23
	11,627	4,886

During each of the two years ended December 31, 2007 and 2006, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends Paid

	2007 HK$'000	2006 HK$'000
Final dividend paid:		
2006: HK 12.60 cents (2005: HK 12.60 cents) per share	**189,636**	184,609
Interim dividend paid:		
2007: HK 6.50 cents (2006: HK 6.50 cents) per share	**97,865**	95,236
	287,501	279,845

The final dividend in respect of the current financial year of HK1.50 cents per share (2006: HK12.60 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

15. Earnings per Share

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

	2007 **HK$'000**	2006 HK$'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the parent	**125,257**	1,071,864
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	**14,385**	22,710
Debt extinguishment gain	**(28,837)**	—
Earnings for the purpose of diluted earnings per share	**110,805**	1,094,574
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,490,103,389**	1,464,595,829
Effect of dilutive potential ordinary shares:		
Share options	**1,071,527**	30,435,277
Convertible bonds	**5,722,679**	65,922,585
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,496,897,595**	1,560,953,691

16. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
The Group									
Cost									
At January 1, 2006	888,936	175,433	742,667	1,798,570	30,825	2,080,178	11,835	150,238	5,878,682
Currency realignment	40,362	1,646	20,703	66,748	1,018	46,887	—	2,402	179,766
Additions	14,289	25,966	68,459	79,585	4,173	138,709	64	141,915	473,160
Disposals	(54,540)	(9,661)	(16,186)	(40,285)	(2,428)	(180,563)	—	—	(303,663)
Reclassification	36,492	10,335	17,504	51,565	(459)	37,216	—	(152,653)	—
At December 31, 2006	925,539	203,719	833,147	1,956,183	33,129	2,122,427	11,899	141,902	6,227,945
Currency realignment	44,118	2,855	23,919	80,220	1,128	57,684	—	11,729	221,653
Additions	13,433	69,985	125,633	111,242	13,157	199,939	14	326,307	859,710
Acquisition of subsidiaries	242,064	4,741	45,724	254,218	3,640	20,775	—	—	571,162
Disposals	—	(50,360)	(84,228)	(251,925)	(10,415)	(748,884)	(840)	(2,288)	(1,148,940)
Reclassification	(4,829)	2,416	39,905	(15,581)	—	40,251	—	(69,141)	(6,979)
At December 31, 2007	**1,220,325**	**233,356**	**984,100**	**2,134,357**	**40,639**	**1,692,192**	**11,073**	**408,509**	**6,724,551**
Depreciation and Amortisation									
At January 1, 2006	297,086	116,928	528,081	1,328,464	22,295	1,825,184	5,619	—	4,123,657
Currency realignment	20,395	541	13,386	56,495	601	45,522	—	—	136,940
Provided for the year	31,807	17,387	87,844	116,227	3,282	193,020	1,711	—	451,278
Eliminated on disposals	(34,275)	(7,926)	(16,079)	(35,893)	(2,394)	(179,109)	—	—	(275,676)
Reclassification	—	26	864	(878)	(137)	125	—	—	—
At December 31, 2006	315,013	126,956	614,096	1,464,415	23,647	1,884,742	7,330	—	4,436,199
Currency realignment	22,352	701	14,397	65,868	693	54,192	—	—	158,203
Provided for the year	51,349	23,699	106,765	158,659	4,750	213,033	1,717	—	559,972
Acquisition of subsidiaries	—	281	5,365	1,395	783	—	—	—	7,824
Eliminated on disposals	—	(50,136)	(80,326)	(164,394)	(10,299)	(744,186)	(840)	—	(1,050,181)
Reclassification	—	(9)	(35)	(71)	48	67	—	—	—
At December 31, 2007	**388,714**	**101,492**	**660,262**	**1,525,872**	**19,622**	**1,407,848**	**8,207**	**—**	**4,112,017**
Net Book Values									
At December 31, 2007	831,611	131,864	323,838	608,485	21,017	284,344	2,866	408,509	2,612,534
At December 31, 2006	610,526	76,763	219,051	491,768	9,482	237,685	4,569	141,902	1,791,746

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

	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
The Company							
Cost							
At January 1, 2006	65,945	68,481	123,578	136,880	10,570	578,337	983,791
Additions	—	16,062	16,120	14,943	920	37,109	85,154
Transfer from (to) subsidiaries	—	258	(879)	13,652	—	(39,171)	(26,140)
Disposals	—	—	(6)	(947)	(1,401)	(973)	(3,327)
At December 31, 2006	65,945	84,801	138,813	164,528	10,089	575,302	1,039,478
Currency realignment	—	—	—	196	—	—	196
Additions	—	3,530	17,324	16,827	3,899	52,736	94,316
Transfer (to) from subsidiaries	—	—	—	(5,464)	—	7,760	2,296
Disposals	—	(36,393)	(37,775)	(56,807)	(5,528)	(446,145)	(582,648)
At December 31, 2007	**65,945**	**51,938**	**118,362**	**119,280**	**8,460**	**189,653**	**553,638**
Depreciation and Amortisation							
At January 1, 2006	23,397	57,184	90,690	117,078	9,278	489,332	786,959
Provided for the year	2,638	6,136	16,576	13,883	774	43,442	83,449
Transfer to subsidiaries	—	—	(784)	(1,463)	—	(22,521)	(24,768)
Eliminated on disposals	—	—	(5)	(947)	(1,401)	(562)	(2,915)
At December 31, 2006	26,035	63,320	106,477	128,551	8,651	509,691	842,725
Provided for the year	2,638	7,857	15,697	13,992	862	46,754	87,800
Currency realignment	—	—	—	65	—	—	65
Transfer (to) from subsidiaries	—	—	—	(1,720)	—	6,339	4,619
Eliminated on disposals	—	(36,393)	(37,648)	(56,807)	(5,309)	(446,145)	(582,302)
At December 31, 2007	**28,673**	**34,784**	**84,526**	**84,081**	**4,204**	**116,639**	**352,907**
Net Book Values							
At December 31, 2007	**37,272**	**17,154**	**33,836**	**35,199**	**4,256**	**73,014**	**200,731**
At December 31, 2006	39,910	21,481	32,336	35,977	1,438	65,611	196,753

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

Freehold land	Nil
Buildings	4%
Leasehold improvements	2.5% – 25%
Office equipment, furniture and fixtures	10% – $33^1/_3$%
Plant and machinery	10% – 25%
Motor vehicles	18% – 25%
Moulds and tooling	20% – $33^1/_3$%
Vessels	20%

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

The net book values of properties shown above comprise:

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	**752,812**	570,616	**—**	—
Medium-term lease	**78,799**	39,910	**37,272**	39,910
	831,611	610,526	**37,272**	39,910

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK$100,290,000 and HK$3,312,000 respectively (2006: HK$137,833,000 and Nil respectively) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately HK$1,880,717,000 and HK$188,155,000 (2006: HK$1,890,000,000 and HK$249,000,000) respectively in respect of fully depreciated property, plant and equipment that is still in use.

17. Lease Prepayments

	The Group	The Company
	HK$'000	HK$'000
Cost		
At January 1, 2006	68,883	6,449
Currency realignment	2,300	—
At December 31, 2006	71,183	6,449
Currency realignment	4,871	—
Acquisition of subsidiaries	2,068	—
Reclassification from construction in progress	6,979	—
At December 31, 2007	**85,101**	**6,449**
Amortisation		
At January 1, 2006	3,054	1,806
Currency realignment	68	—
Provided for the year	1,402	129
At December 31, 2006	4,524	1,935
Currency realignment	234	—
Provided for the year	1,544	129
At December 31, 2007	**6,302**	**2,064**
Net Book Values		
At December 31, 2007	**78,799**	**4,385**
At December 31, 2006	66,659	4,514

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

The transfer in of prepaid lease payments of HK$6,979,000 represents a reclassification from property, plant and equipment after the land excavation work was completed.

18. Goodwill

	The Group HK$'000
Cost	
At January 1, 2006	3,990,967
Currency realignment	5,466
Arising on acquisition of additional interest of subsidiaries	46,563
At December 31, 2006 and at January 1, 2007	4,042,996
Currency realignment	26,902
Arising on acquisition of subsidiaries	94,231
At December 31, 2007	**4,164,129**

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

19. Intangible Assets

	Deferred development costs HK$'000	Patents and trademarks HK$'000	Manufacturing know-how HK$'000	Retailer and service relationship HK$'000	Total HK$'000
The Group					
Cost					
At January 1, 2006	278,445	1,261,507	3,510	—	1,543,462
Currency realignment	5,733	2,672	—	—	8,405
Additions	192,830	50,016	—	—	242,846
Written off in the year	—	(4,325)	—	—	(4,325)
At December 31, 2006	477,008	1,309,870	3,510	—	1,790,388
Currency realignment	9,395	8,423	5	72	17,895
Additions	205,103	24,896	97	—	230,096
Written off in the year	—	(6,027)	—	—	(6,027)
Acquisition of subsidiaries	—	394,466	—	50,627	445,093
At December 31, 2007	**691,506**	**1,731,628**	**3,612**	**50,699**	**2,477,445**
Amortisation					
At January 1, 2006	28,461	51,032	2,516	—	82,009
Currency realignment	1,139	1,967	—	—	3,106
Provided for the year	59,815	28,900	702	—	89,417
Eliminated on write off	—	(4,325)	—	—	(4,325)
At December 31, 2006	89,415	77,574	3,218	—	170,207
Currency realignment	3,505	2,742	1	—	6,248
Provided for the year	99,614	31,017	309	—	130,940
Eliminated on write off	—	(6,027)	—	—	(6,027)
At December 31, 2007	**192,534**	**105,306**	**3,528**	**—**	**301,368**
Carrying Amounts					
At December 31, 2007	**498,972**	**1,626,322**	**84**	**50,699**	**2,176,077**
At December 31, 2006	387,593	1,232,296	292	—	1,620,181

19. Intangible Assets *(continued)*

	Deferred development costs HK$'000	Patents HK$'000	Total HK$'000
The Company			
Cost			
At January 1, 2006	102,473	50,304	152,777
Additions	108,009	6,581	114,590
At December 31, 2006	210,482	56,885	267,367
Additions	112,275	—	112,275
At December 31, 2007	**322,757**	**56,885**	**379,642**
Amortisation			
At January 1, 2006	—	14,198	14,198
Provided for the year	20,495	12,482	32,977
At December 31, 2006	20,495	26,680	47,175
Provided for the year	42,096	12,358	54,454
At December 31, 2007	**62,591**	**39,038**	**101,629**
Carrying Amounts			
At December 31, 2007	**260,166**	**17,847**	**278,013**
At December 31, 2006	189,987	30,205	220,192

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

Deferred development costs are internally generated. All the patents and trademarks and manufacturing know-how were acquired from third parties or from business combinations. The above intangible assets, other than trademarks with indefinite useful life of HK$234,000,000 (2006: HK$234,000,000) of the Group, have definite useful lives and are amortised on a straight-line basis over 4 to 20 years.

The trademarks with indefinite useful life of HK$234,000,000 (2006: HK$234,000,000) are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

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

The carrying amounts of goodwill and trademarks with indefinite useful lives as at December 31, 2007 allocated to the following cash-generating units ("CGUs") are as follows:

	Goodwill HK$'000	Trademarks HK$'000
Power Equipment	**3,540,999**	**234,000**
Floor Care	**623,130**	**—**
	4,164,129	**234,000**

During the year ended December 31, 2007, management of the Group determined that there is no impairment of any of its CGUs containing goodwill or trademarks with indefinite useful lives.

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

The recoverable amount of the CGUs are determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate at 7% and 11% (2006: 5% and 12%) and extrapolated using a steady 3% growth rate.

21. Investments in Subsidiaries

	The Company	
	2007 HK$'000	2006 HK$'000
Investments in unlisted shares, at cost	**1,182,712**	630,546

Particulars of the principal subsidiaries of the Company as at December 31, 2007 are set out in Note 53.

22. Interests in Associates

	The Group		The Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**23,790**	23,790
Share of net assets	**14,229**	14,499	**—**	—
Amounts due from associates	**189,408**	178,490	**173,149**	160,848
	203,637	192,989	**196,939**	184,638

Particulars of the associates as at December 31, 2007 and December 31, 2006 are set out in Note 54.

The amounts due from associates are unsecured, bear interest at LIBOR plus 2% and are repayable on demand. In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current assets.

22. Interests in Associates *(continued)*

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

	2007 HK$'000	2006 HK$'000
Total assets	**115,747**	122,344
Total liabilities	**(58,832)**	(64,348)
Net assets	**56,915**	57,996
Group's share of net assets of associates	**14,229**	14,499
Turnover	**147,284**	234,634
Loss for the year	**(7,746)**	(15,005)
Group's share of result of associates for the year	**(270)**	(895)

At the balance sheet date, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of loss for the year and cumulatively are HK$3,601,000 (2006: HK$4,661,000) and HK$39,694,000 (2006: HK$36,093,000) respectively. The carrying value of the Group's interests in the Gimelli Group companies is nil at both December 31, 2007 and December 31, 2006.

23. Available-for-sale Investments

	The Group		**The Company**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**17,058**	43,315	**1,695**	1,195

As at December 31, 2007, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

As at December 31, 2006, available-for-sale investment included 30% equity interest in Baja, Inc., which was incorporated in the USA. The investment was not regarded as an associate, as the Group did not have any significant influence.

24. Inventories

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**1,458,159**	1,175,864	**400,181**	249,846
Work in progress	**248,539**	108,834	**86,314**	29,215
Finished goods	**4,244,908**	2,735,185	**104,257**	149,744
	5,951,606	4,019,883	**590,752**	428,805

All inventories are stated at the cost.

25. Trade and Other Receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**4,282,232**	3,555,683	**50,650**	65,475
Less: Allowances for doubtful debts	**(94,048)**	(77,586)	**(20,812)**	(20,812)
	4,188,184	3,478,097	**29,838**	44,663
Other receivables	**283,660**	348,941	**—**	—
	4,471,844	3,827,038	**29,838**	44,663

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 60 days	**3,711,634**	3,143,989	**29,838**	41,553
61 to 120 days	**300,597**	230,131	**—**	977
121 days or above	**175,953**	103,977	**—**	2,133
Total trade receivables	**4,188,184**	3,478,097	**29,838**	44,663

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$175,953,000 (2006: HK$103,977,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 291 days (2006: 282 days).

25. Trade and Other Receivables *(continued)*

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

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
121–365 days	**155,153**	92,544	**—**	2,133
1–2 years	**13,508**	8,451	**—**	—
Over 2 years	**7,292**	2,982	**—**	—
Total	**175,953**	103,977	**—**	2,133

Movement in the allowance for doubtful debts

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at beginning of the year	**77,586**	91,727	**20,812**	26,943
Currency realignment	**2,538**	—	**—**	—
Impairment losses recognised on receivables	**21,960**	8,038	**—**	3,196
Amounts written off as uncollectable	**(885)**	(7,287)	**—**	(9,327)
Amounts recovered during the year	**(7,151)**	(14,892)	**—**	—
Balance at end of the year	**94,048**	77,586	**20,812**	20,812

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK$94,048,000 (2006: HK$77,586,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The impairment recognised represents the difference between the carrying amount and recoverable amount of these trade receivables. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	2007	2006
	HK$'000	HK$'000
0–120 days	**51,428**	46,725
121–365 days	**20,762**	16,160
1–2 years	**10,049**	3,365
Over 2 Years	**11,809**	11,336
Total	**94,048**	77,586

26. Bills Receivable

The fair value of the Group's and the Company's bills receivable at December 31, 2007 approximates the corresponding carrying amount.

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

27. Amounts Due from (to) Subsidiaries

The fair value of the Company's amounts due from (to) subsidiaries at December 31, 2007 approximates the corresponding carrying amount.

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

28. Trade Receivables from Associates

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

29. Held-for-Trading Investments

The Group's held-for-trading investments at December 31, 2007 are carried at fair value.

30. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 2.07% to 5.70%. Bank overdrafts carry interest at market rates which range from 6.75% to 8.25%.

31. Trade and Other Payables

The aged analysis of trade payables is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 60 days	**1,947,377**	1,345,473	**355,507**	403,583
61 to 120 days	**370,703**	91,696	**263,062**	36,838
121 days or above	**43,254**	30,547	**9,222**	2,947
Total trade payables	**2,361,334**	1,467,716	**627,791**	443,368
Other payables	**2,105,073**	1,650,404	**199,075**	196,016
	4,466,407	3,118,120	**826,866**	639,384

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

32. Bills Payable

The fair value of the Group's and the Company's bills payable at December 31, 2007 approximates the corresponding carrying amount.

All the Group's and Company's bills payable at December 31, 2007 and December 31, 2006 are due within 120 days.

33. Warranty Provision

	2007 HK$'000
At January 1, 2007	**369,638**
Currency realignment	**7,761**
Additional provision in the year	**427,593**
Acquisition of subsidiaries	**119,626**
Utilisation of provision	**(450,232)**
At December 31, 2007	**474,386**

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

34. Trade Payable to An Associate

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

35. Restructuring Provision

	2007 HK$'000
At January 1, 2007	—
Currency realignment	586
Charge for the year	668,481
Utilisation of provision	(250,687)
At December 31, 2007	418,380

The balance of the provision is expected to be utilised in 2008.

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

The Group started to implement this plan during the year. The relevant restructuring charges which the Group incurred were charged as operating expenses during the year. This restructuring expense will continue to be charged to income statement up until the end of 2008.

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

Other restructuring and transition costs mainly represents relocation and related expenses for property, plant and equipments of relevant plants.

36. Obligations Under Finance Leases

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

The maturity of obligations under finance leases is as follows:

	The Group				The Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:								
Within one year	**19,457**	20,453	**17,635**	18,535	**955**	—	**827**	—
In more than one year but not more than two years	**20,549**	16,585	**17,727**	13,614	**955**	—	**865**	—
In more than two years but not more than three years	**16,446**	14,116	**13,777**	11,309	**955**	—	**904**	—
In more than three years but not more than four years	**15,819**	13,701	**13,283**	10,989	**746**	—	**732**	—
In more than four years but not more than five years	**14,821**	13,682	**12,386**	11,063	**—**	—	**—**	—
More than five years	**141,226**	127,567	**77,520**	78,554	**—**	—	**—**	—
	228,318	206,104	**152,328**	144,064	**3,611**	—	**3,328**	—
Less: future finance charges	**(75,990)**	(62,040)	**—**	—	**(282)**	—	**—**	—
Present value of lease obligations	**152,328**	144,064	**152,328**	144,064	**3,329**	—	**3,328**	—
Less: Amount due within one year shown under current liabilities			**(17,635)**	(18,535)			**(827)**	—
Amount due after one year			**134,693**	125,529			**2,501**	—

The Group's obligation under finance lease that are denominated in currencies other than the functional currencies are HK$129,404,000 (2006: HK$119,127,000).

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

37. Discounted Bills with Recourse

Bills discounted with a bank at an effective interest rate of 5.95% per annum (2006: 5.88% per annum) have a maturity profile of less than 120 days.

38. Convertible Bonds

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

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

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

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

	The Group and The Company	
	2007	2006
	HK$'000	HK$'000
Liability component at the beginning of the year	**1,105,834**	1,078,307
Effective interest expense	**14,385**	27,527
Repayment	**(1,021,920)**	—
Liability component at the end of the year	**98,299**	1,105,834

The fair value of the liability component of the Bonds at December 31, 2007, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate at the balance sheet date, was approximately HK$96,151,000 (2006: HK$885,158,000).

39. Capital Risk Management

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

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

39. Capital Risk Management *(continued)*

Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 35% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group expects to decrease its gearing ratio comparable to that of 2006 level by next 18 months through the continued generating of cash inflows by growth of the business.

The gearing ratio at the year end was as follows:

	2007 HK$'000	2006 HK$'000
Debt (i)	**10,512,423**	8,905,980
Cash and cash equivalents	**(3,293,327)**	(3,718,798)
Net debt	**7,219,096**	5,187,182
Equity (ii)	**6,920,125**	6,996,530
Net debt to equity ratio	**104.32%**	74.14%

(i) Debt comprises bank overdrafts, obligations under finance leases, discounted bills with recourse, convertible bonds and unsecured borrowings as detailed in Notes 30, 36, 37, 38 and 41 respectively.

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

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

40. Financial Instruments

40.1 Categories of Financial Instruments

	2007 HK$'000	2006 HK$'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**17,192**	7,800
Available-for-sale investments	**17,058**	43,315
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**4,471,844**	3,827,038
Bills receivable	**469,002**	578,560
Trade receivables from associates	**10,053**	8,554
Bank balances, deposits and cash	**3,293,327**	3,718,798
Amounts due from associates	**189,408**	178,490
	8,433,634	8,311,440
Financial liabilities		
Other financial liabilities		
Trade and other payables	**4,466,407**	3,118,120
Bills payable	**299,223**	335,455
Obligation under finance leases	**152,328**	144,064
Discounted bills with recourse	**3,036,449**	2,501,155
Unsecured borrowings	**6,806,978**	4,886,202
Bank overdrafts	**418,369**	268,725
Convertible bonds	**98,299**	1,105,834
	15,278,053	12,359,555
The Company		
Financial assets		
Available-for-sale investments	**1,695**	1,195
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**29,838**	44,663
Bills receivable	**214,926**	349,825
Bank balances, deposits and cash	**580,400**	1,347,008
Amounts due from assoicates	**173,149**	160,848
Amounts due from subsidiaries	**7,917,745**	5,969,107
	8,916,058	7,871,451
Financial liabilities		
Other financial liabilities		
Trade and other payables	**826,866**	639,384
Bills payable	**283,013**	312,553
Amounts due to subsidiaries	**70,646**	17,934
Obligation under finance leases	**3,328**	—
Discounted bills with recourse	**2,327,957**	1,859,874
Unsecured borrowings	**1,910,951**	272,223
Convertible bonds	**98,299**	1,105,834
	5,521,060	4,207,802

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies

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

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

40.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 24% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 24% of costs are denominated in the group entity's respective functional currencies.

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

	Liabilities		Assets	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Group				
Group Foreign Currency				
EURO	**14,973**	3,588	**1,101,149**	726,048

	Liabilities		Assets	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Company				
Company Foreign Currency				
EURO	**5,338**	2,256	**1,006,740**	620,558

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

40. Financial Instruments *(continued)*

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

40.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against EURO. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group and the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit for the year where the United States dollar strengthens 5% against EURO. For a 5% weakening of the United States dollar against EURO, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Impact of EURO				
Profit for the year (i)	**(54,310)**	(36,123)	**(50,070)**	(30,915)

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

40.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowings

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, bank overdrafts and discounted bills with recourse at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would decrease/increase by HK$30,244,000 (2006: decrease/increase by HK$17,285,000). The Company's profit for the year ended December 31, 2007 would decrease/increase by HK$21,195,000 (2006: decrease/increase by HK$10,660,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable rate borrowings.

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

40. Financial Instruments *(continued)*

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

40.2.2 Interest Rate Risk Management *(continued)*

Sensitivity analysis *(continued)*

Credit risk

As at 31 December 2007, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in Note 49.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

40.2.3 Liquidity Risk Management

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

As at December 31, 2007, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK$479 million (2006: HK$305 million) and HK$637 million (2006: HK$1,818 million) respectively.

40. Financial Instruments *(continued)*

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

40.2.3 Liquidity Risk Management *(continued)*

Liquidity tables

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

	Weighted Average Effective Interest Rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2+ years HK$'000	Total Carrying amounts at December 31, 2007 HK$'000
The Group							
2007							
Non-derivative financial assets							
Held-for-trading investments	—	17,192	—	—	—	—	17,192
Available-for-sale investments	—	17,058	—	—	—	—	17,058
Trade and other receivables	—	2,752,275	1,342,935	376,634	—	—	4,471,844
Bills receivable	—	272,128	181,324	15,550	—	—	469,002
Trade receivables from associates	—	10,053	—	—	—	—	10,053
Bank balances, deposits and cash	2.07%–5.70%	3,233,333	59,994	—	—	—	3,293,327
Amount due from associates	7.22%	—	—	—	—	189,408	189,408
		6,302,039	1,584,253	392,184	—	189,408	8,467,884
Non-derivative financial liabilities							
Trade and other payables	—	(3,720,549)	(629,804)	(116,054)	—	—	(4,466,407)
Bills payable	—	(166,922)	(131,194)	(1,107)	—	—	(299,223)
Obligation under finance leases	11.94%	(1,469)	(2,939)	(13,227)	(17,727)	(116,966)	(152,328)
Discounted bills with recourse	5.95%	(963,328)	(2,006,534)	(66,587)	—	—	(3,036,449)
Unsecured borrowings	3.53%–6.73%	—	—	(2,566,503)	(13,835)	(4,226,640)	(6,806,978)
Bank overdrafts	6.75%–8.25%	(418,369)	—	—	—	—	(418,369)
Convertible bonds	2.11%	—	—	—	(98,299)	—	(98,299)
		(5,270,637)	(2,770,471)	(2,763,478)	(129,861)	(4,343,606)	(15,278,053)

40. Financial Instruments *(continued)*

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

40.2.3 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted Average Effective Interest rate	Less than 1 month	1–3 months	3 months to 1 year	1–2 years	2+ years	Total Carrying amounts at December 31, 2006
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006							
Non-derivative financial assets							
Held-for-trading investments	—	7,800	—	—	—	—	7,800
Available-for-sale investments	—	43,315	—	—	—	—	43,315
Trade and other receivables	—	3,602,560	187,050	37,428	—	—	3,827,038
Bills receivable	—	360,808	204,151	13,601	—	—	578,560
Trade receivables from associates	—	8,554	—	—	—	—	8,554
Bank balances, deposits and cash	1.75%–5.15%	3,691,113	27,685	—	—	—	3,718,798
Amounts due from assoicates	7.13%	—	—	—	—	178,490	178,490
		7,714,150	418,886	51,029	—	178,490	8,362,555
Non-derivative financial liabilities							
Trade and other payables	—	(2,699,372)	(401,948)	(16,800)	—	—	(3,118,120)
Bills payable	—	(180,485)	(154,110)	(860)	—	—	(335,455)
Obligation under finance leases	10.88%	(1,545)	(3,089)	(13,902)	(13,614)	(111,914)	(144,064)
Discounted bills with recourse	5.88%	(379,949)	(1,894,381)	(226,825)	—	—	(2,501,155)
Unsecured borrowings	4.09%–6.77%	—	—	(421,849)	(240,672)	(4,223,681)	(4,886,202)
Bank overdrafts	4.58%–6.19%	—	(268,725)	—	—	—	(268,725)
Convertible bonds	2.11%	—	—	—	—	(1,105,834)	(1,105,834)
		(3,261,351)	(2,722,253)	(680,236)	(254,286)	(5,441,429)	(12,359,555)

40. Financial Instruments *(continued)*

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

40.2.3 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted Average Effective Interest Rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2+ years HK$'000	Total Carrying amount at Year end date HK$'000
The Company							
2007							
Non-derivative financial assets							
Available-for-sale investments	—	1,695	—	—	—	—	1,695
Trade and other receivables	—	25,189	4,649	—	—	—	29,838
Bills receivable	—	88,063	126,863	—	—	—	214,926
Bank balances, deposits and cash	2.07%–5.70%	580,400	—	—	—	—	580,400
Amounts due from associates	7.22%	—	—	—	—	173,149	173,149
Amounts due from subsidiaries	—	7,917,745	—	—	—	—	7,917,745
		8,613,092	131,512	—	—	173,149	8,917,753
Non-derivative financial liabilities							
Trade and other payables	—	(592,865)	(234,001)	—	—	—	(826,866)
Bills payable	—	(160,557)	(122,456)	—	—	—	(283,013)
Amounts due to subsidiaries	—	(70,646)	—	—	—	—	(70,646)
Obligation under finance leases	3.81%	(69)	(138)	(620)	(865)	(1,636)	(3,328)
Discounted bills with recourse	5.95%	(663,934)	(1,664,023)	—	—	—	(2,327,957)
Unsecured borrowings	3.53%–6.73%	—	—	(1,910,951)	—	—	(1,910,951)
Convertible bonds	2.11%	—	—	—	(98,299)	—	(98,299)
		(1,488,071)	(2,020,618)	(1,911,571)	(99,164)	(1,636)	(5,521,060)

	Weighted Average Effective Interest Rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2+ years HK$'000	Total Carrying amount at Year end date HK$'000
2006							
Non-derivative financial assets							
Available-for-sale investments	—	1,195	—	—	—	—	1,195
Trade and other receivables	—	24,732	19,931	—	—	—	44,663
Bills receivable	—	187,394	162,431	—	—	—	349,825
Bank balances, deposits and cash	1.75%–5.15%	1,347,008	—	—	—	—	1,347,008
Amounts due from associates	7.13%	—	—	—	—	160,848	160,848
Amounts due from subsidiaries	—	5,969,107	—	—	—	—	5,969,107
		7,529,436	182,362	—	—	160,848	7,872,646
Non-derivative financial liabilities							
Trade and other payables	—	(445,919)	(193,465)	—	—	—	(639,384)
Bills payable	—	(164,470)	(148,083)	—	—	—	(312,553)
Amounts due to subsidiaries	—	(17,934)	—	—	—	—	(17,934)
Discounted bills with recourse	5.88%	(233,048)	(1,623,469)	(3,357)	—	—	(1,859,874)
Unsecured borrowings	4.09%–6.77%	—	—	(38,889)	(233,334)	—	(272,223)
Convertible bonds	2.11%	—	—	—	—	(1,105,834)	(1,105,834)
		(861,371)	(1,965,017)	(42,246)	(233,334)	(1,105,834)	(4,207,802)

40. Financial Instruments *(continued)*

40.3 Fair Value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. For an option-based derivative, the fair value is estimated using an option pricing model (for example, the binomial model).

41. Unsecured Borrowings

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**48,355**	152,416	**—**	—
Bank loans	**4,105,693**	2,094,643	**1,910,951**	272,223
Bank borrowings	**4,154,048**	2,247,059	**1,910,951**	272,223
Fixed interest rate notes (Note)	**2,652,930**	2,639,143	**—**	—
Total borrowings	**6,806,978**	4,886,202	**1,910,951**	272,223

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed rate				
In more than two years but not more than five years	**1,560,000**	1,560,000	**—**	—
More than five years	**2,652,930**	2,639,143	**—**	—
Floating rate				
On demand or within one year	**2,566,503**	421,849	**1,910,951**	38,889
In more than one year but not more than two years	**13,835**	240,672	**—**	233,334
In more than two years but not more than five years	**13,710**	24,538	**—**	—
	6,806,978	4,886,202	**1,910,951**	272,223
Less: Amount due within one year shown under current liabilities	**(2,566,503)**	(421,849)	**(1,910,951)**	(38,889)
Amount due after one year	**4,240,475**	4,464,353	**—**	233,334

41. Unsecured Borrowings *(continued)*

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

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	**4.09% to 5.44%**	4.09% to 5.44%
Variable-rate borrowings	**3.53% to 6.73%**	4.49% to 6.77%

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

	HK$ '000	**RMB '000**	**AU$ '000**	**NZ$ '000**	**EURO '000**
As at December 31, 2007	**3,568,817**	**29,218**	**4,000**	**3,500**	**6,000**
As at December 31, 2006	2,042,955	—	12,178	2,750	5,000

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US$145,000,000. The notes were issued in two fixed rate tranches, being US$120,000,000 for 10 years at 4.0% per annum and US$25,000,000 for 7 years at 4.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes.

In 2006, the Group issued additional fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US$200,000,000. The notes were issued in two fixed rate tranches of US$150,000,000 for 10 years at 5.44% per annum and US$50,000,000 for 7 years at 5.17% per annum. The proceeds were used to finance the acquisition of subsidiaries.

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

42. Share Capital

	2007 Number of shares	2006 Number of shares	**2007 HK$'000**	2006 HK$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**240,000**	240,000
Issued and fully paid:				
Shares of HK$0.10 each at January 1	**1,465,223,652**	1,461,720,652	**146,522**	146,172
Repurchase of shares	**(4,358,500)**	—	**(436)**	—
Issued on exercise of share options	**40,387,000**	3,503,000	**4,039**	350
Shares of HK$0.10 each at December 31	**1,501,252,152**	1,465,223,652	**150,125**	146,522

Details of the share options are set out in Note 50.

42. Share Capital *(continued)*

During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Company Limited as follows:

Month of repurchase	No. of ordinary shares at HK$0.10 each	Price per shares Highest HK$	Lowest HK$	Aggregate consideration paid HK$
September 2007	**2,340,000**	**9.25**	**8.65**	**21,155,589**
October 2007	**300,000**	**8.22**	**8.22**	**2,477,003**
November 2007	**1,718,500**	**6.95**	**6.48**	**11,541,957**

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of HK$436,000 was transferred to the capital redemption reserve. Premium paid on the repurchase of the shares of approximately HK$35,175,000 was charged to retained profits.

43. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
The Company						
At January 1, 2006	2,732,809	—	26,334	6,703	2,291,954	5,057,800
Premium on shares issued	22,040	—	—	—	—	22,040
Recognition of equity-settled share based payment	—	—	—	7,091	—	7,091
Profit for the year	—	—	—	—	584,849	584,849
Final dividend — 2005	—	—	—	—	(184,609)	(184,609)
Interim dividend — 2006	—	—	—	—	(95,236)	(95,236)
At January 1, 2007	2,754,849	—	26,334	13,794	2,596,958	5,391,935
Premium on shares issued	143,797	—	—	—	—	143,797
Repurchase of shares	—	436	—	—	(35,175)	(34,739)
Effect of early redemption of convertible bonds	—	—	(49,920)	—	—	(49,920)
Release of deferred tax liabilities on early redemption of convertible bonds	—	—	5,101	—	—	5,101
Transfer to retained earnings upon early redemption of convertible bonds	—	—	20,770	—	(20,770)	—
Recognition of equity-settled share based payment	—	—	—	16,155	—	16,155
Share options lapsed	—	—	—	(2,152)	2,152	—
Profit for the year	—	—	—	—	593,795	593,795
Final dividend — 2006	—	—	—	—	(189,636)	(189,636)
Interim dividend — 2007	—	—	—	—	(97,865)	(97,865)
At December 31, 2007	**2,898,646**	**436**	**2,285**	**27,797**	**2,849,459**	**5,778,623**

As at December 31, 2007, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$2,849,459,000 (2006: HK$2,596,958,000).

44. Retirement Benefits Obligations

	2007 HK$'000	2006 HK$'000
Pension plan obligations (Note i)	**688,271**	672,117
Post-retirement, medical and dental plan obligations (Note ii)	**143,018**	146,965
Post-employment benefit plan obligations (Note iii)	**134,281**	—
Others	**14,958**	15,005
	980,528	834,087

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

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

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. Under the plan, the employees are entitled to retirement benefits varying between 10 and 20 per cent of final salary on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out on November 28, 2007 by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

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

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the USA, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on February 7, 2008 by Mercer Human Resource Consulting.

Note iii: Post-employment plan obligations

The pension plan obligations are provided for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on December 10, 2007 by CBIZ.

The main actuarial assumptions used were as follows:

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

44. Retirement Benefits Obligations *(continued)*

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

	Pension plan		Post-retirement medical and dental plan		Post employment benefit plan
	2007	2006	**2007**	2006	**2007**
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**
Current service cost (gain)	**7,447**	(2,952)	**3,956**	4,389	**8,581**
Actuarial gain	**(63,002)**	—	**(1,258)**	(1,619)	**—**
Interest cost	**28,657**	14,591	**6,636**	6,693	**17,613**
	(26,898)	11,639	**9,334**	9,463	**26,194**

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

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

	Pension plan		Post-retirement medical and dental plan		Post employment benefit plan
	2007	2006	**2007**	2006	**2007**
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**
Present value of unfunded obligations	**688,271**	672,117	**143,019**	146,965	**134,281**

44. Retirement Benefits Obligations *(continued)*

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

	Pension plan 2007 HK$'000	Post-retirement medical and dental plan 2007 HK$'000	Post employment benefit plan 2007 HK$'000
At January 1	**672,117**	**146,965**	**—**
Net liabilities acquired on acquisition of subsidiaries	**—**	**—**	**108,146**
Exchange differences	**77,122**	**410**	**(59)**
Current service cost	**7,447**	**3,956**	**8,581**
Actuarial gain	**(63,002)**	**(1,258)**	**—**
Interest cost	**28,657**	**6,636**	**17,613**
Benefits paid	**(34,070)**	**(13,690)**	**—**
At December 31	**688,271**	**143,019**	**134,281**

One World Technologies, Inc., a subsidiary of the Group in the USA operates another defined benefit scheme. The pension costs of this defined benefit scheme are assessed in accordance with an actuarial valuation as at January 1, 2008 performed by Aon Consulting, an employee benefits consulting group, using the Projected Unit Credit method. No medical trend rate assumption is necessary as at December 31, 2007 and 2006 since all retirees are assumed to be affected by the fixed dollar subsidy and a discount rate of 5.8% (2006: 5.8%) was assumed for calculating the actuarial valuation.

There are no assets set aside for these benefits and the plan is funded on a pay-as-you-go basis. The accrued benefit costs under this scheme are to be reimbursed by a former shareholder of the overseas subsidiary in accordance with an assignment assumption, reimbursement and indemnification agreement. As such, the overseas subsidiary has set up a receivable and an accrued benefit cost of the same amount of approximately HK$21,455,000 (2006: HK$22,000,000) as at December 31, 2007.

45. Deferred Tax Assets (Liabilities)

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

	Accelerated tax depreciation HK$'000	Warranty provision HK$'000	Convertible bonds equity reserve HK$'000	Employee related provision HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
The Group							
At January 1, 2006	(103,202)	95,524	(5,586)	155,623	199,127	(209,939)	131,547
Currency realignment	(2,536)	(823)	—	10,860	14,005	(1,743)	19,763
Transfer (reclassification)	—	(5,205)	—	—	5,205	—	—
(Charge) credit to income for the year	24,315	12,038	—	(9,885)	(22,774)	53,023	56,717
At January 1, 2007	(81,423)	101,534	(5,586)	156,598	195,563	(158,659)	208,027
Currency realignment	(1,193)	566	—	9,109	9,737	2,039	20,258
Credit to equity	—	—	5,101	—	—	—	5,101
Transfer (reclassification)	(530)	5,205	—	20	—	(4,695)	—
Acquisition of subsidiaries	(250,171)	225,872	—	—	2,642	(6,082)	(27,739)
(Charge) credit to income for the year	283,940	(237,373)	—	(49,067)	(11,385)	50,543	36,658
At December 31, 2007	**(49,377)**	**95,804**	**(485)**	**116,660**	**196,557**	**(116,854)**	**242,305**

	Accelerated tax depreciation HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
The Company			
At January 1, 2006	(14,748)	(5,586)	(20,334)
Credit to income for the year	4,840	—	4,840
At January 1, 2007	(9,908)	(5,586)	(15,494)
Credit to equity	—	5,101	5,101
Credit to income for the year	275	—	275
At December 31, 2007	**(9,633)**	**(485)**	**(10,118)**

Note: Included in others are being deferred tax impact on restructuring provision and other temporary differences.

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

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	**762,907**	706,493	**—**	—
Deferred tax liabilities	**(520,602)**	(498,466)	**(10,118)**	(15,494)
	242,305	208,027	**(10,118)**	(15,494)

At the balance sheet date, the Group has unused tax losses of HK$1,268 million (2006: HK$1,156 million) available for the offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses of HK$76 million (2006: HK$38 million) due to the unpredictability of future profit streams.

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

46. Acquisition of Subsidiaries

The Company purchased all of the Hoover Floor Care business from certain subsidiaries of Whirlpool Corporation. The total consideration for the purchase of Hoover assets and two operating subsidiaries consisted of the payment of HK$831 million in cash to Maytag Corporation (on behalf of itself and the other sellers). The direct transaction costs were approximately HK$73 million. Total costs of acquisition therefore amounted to HK$904 million. The transaction was completed on January 31, 2007 and was fully settled at the closing of the transaction by internal resources.

46. Acquisition of Subsidiaries *(continued)*

	Hoover Fair value HK$'000	Others Fair value HK$'000	Total Fair value HK$'000
Net Assets Acquired			
Property, plant and equipment	553,636	9,702	563,338
Lease prepayments	2,068	—	2,068
Intangible assets	327,881	117,212	445,093
Available-for-sale investments	—	650	650
Deferred tax assets	225,746	2,640	228,386
Inventories	550,778	29,865	580,643
Trade and other receivables, deposits and prepayments	541,739	89,052	630,791
Bank balances and cash	250	2,860	3,110
Trade and other payables	(795,417)	(133,858)	(929,275)
Warranty provision	(104,141)	(15,485)	(119,626)
Obligations under finance leases	—	(2,100)	(2,100)
Bank borrowings	—	(75,208)	(75,208)
Bank overdrafts	—	(4,368)	(4,368)
Deferred tax liabilities	(250,174)	(5,951)	(256,125)
Retirement benefits obligations	(108,146)	—	(108,146)
	944,220	15,011	959,231
Minority interests	—	(4,880)	(4,880)
Discount on acquisition taken to income	(39,870)	(9,470)	(49,340)
Goodwill arising on acquisition of subsidiaries	—	94,231	94,231
Reclassified from available-for-sale investments	—	(27,757)	(27,757)
Reclassified from trade and other receivables	—	(49,239)	(49,239)
Cash consideration paid during the year	904,350	17,896	922,246
Net cash outflow arising on acquisition:			
Cash consideration paid during the year	904,350	17,896	922,246
Bank balances and cash acquired	(250)	(2,860)	(3,110)
Bank overdrafts acquired	—	4,368	4,368
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	904,100	19,404	923,504

Others above mainly referred to the acquisitions of 60% equity interest in Startel Tools and Electronics Company (Pty) Ltd and 75% equity interest in Baja, Inc., which were acquired in October 2007 and November 2007 respectively.

The goodwill arising on the acquisition of the subsidiaries is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

The subsidiaries acquired contributed approximately HK$3,050,867,000 to the Group's turnover, and approximately HK$502,246,000 loss to the Group's profit before taxation and interest for the period between the date of acquisition and the balance sheet date as at December 31, 2007.

46. Acquisition of Subsidiaries *(continued)*

At the acquisition date, the Group could not ascertain the carrying amount of the acquiree's assets and liabilities as it was impracticable to obtain various values in various acquiree's operations.

47. Major Non-Cash Transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK$3,714,000 (2006: HK$1,418,000).

48. Lease Commitments

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**235,599**	174,848	**12,167**	15,786
In the second to fifth year inclusive	**428,829**	337,931	**4,582**	9,855
After five years	**193,491**	132,132	**17,510**	16,094
	857,919	644,911	**34,259**	41,735

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

49. Contingent Liabilities

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**30,865**	36,026	**30,865**	36,026

In addition, the Company has given guarantees to banks and independent third parties in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at December 31, 2007 amounted to HK$5,623,697,000 (2006: HK$5,546,886,000).

50. Share Options

Scheme adopted on May 25, 2001 and terminated on March 28, 2002 ("Scheme B")

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on May 25, 2001, the Board of Directors of the Company may grant share options to eligible persons, including full-time officers, Executive Directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible persons.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting condition, from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the higher of the nominal value of the shares and 80.00% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10.00% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25.00% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on March 28, 2002 pursuant to a resolution passed on that date.

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

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

(i) employees; or

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

(iii) suppliers or customers; or

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

(v) shareholders.

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

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

50. Share Options *(continued)*

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

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

(i) employees; or

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

(iii) secondees; or

(iv) business partner, agent, consultant; or

(v) suppliers or customers; or

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

(vii) shareholders.

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

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

50. Share Options *(continued)*

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

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	28.6.2002	Scheme C	25,728,000	—	25,728,000	—	—	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	—	560,000	—	—	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 – 24.2.2009
Dr Roy Chi Ping Chung JP	28.6.2002	Scheme C	12,864,000	—	12,864,000	—	—	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	—	—	—	560,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	—	400,000	12.170	25.2.2004 – 24.2.2009
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.525	1.3.2004 – 28.2.2009
Mr Chi Chung Chan	17.7.2003	Scheme C	1,000,000	—	—	—	1,000,000	7.625	17.7.2003 – 16.7.2008
	19.9.2003	Scheme C	500,000	—	—	—	500,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	1,000,000	—	—	—	1,000,000	12.170	25.2.2004 – 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	—	500,000	12.525	1.3.2004 – 28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000	—	—	—	100,000	12.525	1.3.2004 – 28.2.2009
Mr Joel Arthur Schleicher	17.7.2003	Scheme C	200,000	—	—	—	200,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 – 24.2.2009
Mr Christopher Patrick Langley OBE	17.7.2003	Scheme C	100,000	—	—	—	100,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	—	100,000	12.170	25.2.2004 – 24.2.2009
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 – 6.2.2010
Total for directors			**45,212,000**	**—**	**39,152,000**	**—**	**6,060,000**		

50. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	30.4.2002	Scheme C	1,215,000	—	1,215,000	—	—	3.200	30.4.2002 – 29.4.2007
	17.7.2003	Scheme C	2,674,000	—	20,000	48,000	2,606,000	7.625	17.7.2003 – 16.7.2008
	19.9.2003	Scheme C	204,000	—	—	—	204,000	8.685	19.9.2003 – 18.9.2008
	1.3.2004	Scheme C	5,897,000	—	—	813,000	5,084,000	12.525	1.3.2004 – 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	—	200,000	12.950	14.4.2004 – 13.4.2009
	5.5.2004	Scheme C	300,000	—	—	200,000	100,000	11.050	5.5.2004 – 4.5.2009
	7.6.2004	Scheme C	200,000	—	—	—	200,000	12.000	7.6.2004 – 6.6.2009
	2.10.2004	Scheme C	1,000,000	—	—	—	1,000,000	15.350	2.10.2004 – 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	—	250,000	15.710	13.12.2004 – 12.12.2009
	17.1.2005	Scheme C	150,000	—	—	150,000	—	16.520	17.1.2005 – 16.1.2010
	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 – 6.2.2010
	7.4.2005	Scheme C	200,000	—	—	—	200,000	17.210	7.4.2005 – 6.4.2010
	27.4.2005	Scheme C	25,000	—	—	—	25,000	17.660	27.4.2005 – 26.4.2010
	10.5.2005	Scheme C	200,000	—	—	200,000	—	17.200	10.5.2005 – 9.5.2010
	1.6.2005	Scheme C	20,000	—	—	—	20,000	17.420	1.6.2005 – 31.5.2010
	17.6.2005	Scheme C	250,000	—	—	—	250,000	17.950	17.6.2005 – 16.6.2010
	27.6.2005	Scheme C	500,000	—	—	—	500,000	19.200	27.6.2005 – 26.6.2010
	1.1.2006	Scheme C	300,000	—	—	—	300,000	18.690	1.1.2006 – 31.12.2010
	1.3.2006	Scheme C	3,564,000	—	—	287,000	3,277,000	13.970	1.3.2006 – 28.2.2011
	10.3.2006	Scheme C	150,000	—	—	150,000	—	14.350	10.3.2006 – 9.3.2011
	25.4.2006	Scheme C	20,000	—	—	—	20,000	13.700	25.4.2006 – 24.4.2011
	15.6.2006	Scheme C	200,000	—	—	—	200,000	10.270	15.6.2006 – 14.6.2011
	17.6.2006	Scheme C	350,000	—	—	—	350,000	10.550	17.6.2006 – 16.6.2011
	3.7.2006	Scheme C	25,000	—	—	—	25,000	10.700	3.7.2006 – 2.7.2011
	4.10.2006	Scheme C	75,000	—	—	—	75,000	11.628	4.10.2006 – 3.10.2011
	1.11.2006	Scheme C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006 – 31.10.2011
	3.11.2006	Scheme C	100,000	—	—	—	100,000	11.480	3.11.2006 – 2.11.2011
	8.11.2006	Scheme C	30,000	—	—	—	30,000	12.200	8.11.2006 – 7.11.2011
	4.12.2006	Scheme C	150,000	—	—	—	150,000	10.952	4.12.2006 – 3.12.2011
	13.12.2006	Scheme C	20,000	—	—	—	20,000	10.560	13.12.2006 – 11.12.2011
	1.1.2007	Scheme C	—	150,000	—	—	150,000	10.080	1.1.2007 – 31.12.2011
	6.3.2007	Scheme C	—	7,460,000	—	130,000	7,330,000	10.572	6.3.2007 – 5.3.2012
	20.7.2007	Scheme D	—	300,000	—	—	300,000	10.060	20.7.2007 – 19.7.2012
	24.8.2007	Scheme D	—	2,740,000	—	30,000	2,710,000	8.390	24.8.2007 – 23.8.2017
	16.10.2007	Scheme D	—	75,000	—	—	75,000	8.810	16.10.2007 – 17.10.2017
	7.11.2007	Scheme D	—	40,000	—	—	40,000	8.088	7.11.2007 – 6.11.2017
	23.11.2007	Scheme D	—	500,000	—	—	500,000	7.578	23.11.2007 – 22.11.2017
Total for employees			19,869,000	11,265,000	1,235,000	2,008,000	27,891,000		
Total for all categories			**65,081,000**	**11,265,000**	**40,387,000**	**2,008,000**	**33,951,000**		

50. Share Options *(continued)*

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

Option type	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at 12.31.2007
Scheme C	**65,081,000**	**7,910,000**	**40,387,000**	**1,978,000**	**30,626,000**
Scheme D	**—**	**3,355,000**	**—**	**30,000**	**3,325,000**
	65,081,000	**11,265,000**	**40,387,000**	**2,008,000**	**33,951,000**

Option type	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at 12.31.2006
Scheme B	300,000	—	300,000	—	—
Scheme C	61,800,000	6,484,000	3,203,000	—	65,081,000
	62,100,000	6,484,000	3,503,000	—	65,081,000

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

	Outstanding at January 1	Granted during the year	Exercised during the year	Reclassification	Outstanding at December 31
2007	**45,212,000**	**—**	**39,152,000**	**—**	**6,060,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Reclassification	Outstanding at December 31
2006	45,312,000	—	200,000	100,000*	45,212,000

The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK$10.98 (2006: HK$14.81).

* Mr. Stephan Horst Pudwill has been appointed as a Group Executive Director of the Company since May, 2006. The 100,000 share options held by him was classified under the category of "Employees" previously.

50. Share Options *(continued)*

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

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 2007					
1.1.2007	**10.080**	**3 years**	**35%**	**4.060%**	**1.5%**
6.3.2007	**10.572**	**3 years**	**35%**	**4.100%**	**1.5%**
20.7.2007	**10.060**	**3 years**	**35%**	**4.225%**	**1.5%**
24.8.2007	**8.390**	**3 years**	**35%**	**4.309%**	**1.5%**
16.10.2007	**8.810**	**3 years**	**35%**	**4.560%**	**1.5%**
7.11.2007	**8.088**	**3 years**	**35%**	**4.572%**	**1.5%**
23.11.2007	**7.578**	**3 years**	**35%**	**4.571%**	**1.5%**
For the year ended December 31, 2006					
1.1.2006	**18.690**	**3 years**	**35%**	**4.060%**	**1.5%**
1.3.2006	**13.970**	**3 years**	**35%**	**4.100%**	**1.5%**
10.3.2006	**14.350**	**3 years**	**35%**	**4.225%**	**1.5%**
25.4.2006	**13.700**	**3 years**	**35%**	**4.309%**	**1.5%**
15.6.2006	**10.270**	**3 years**	**35%**	**4.560%**	**1.5%**
17.6.2006	**10.550**	**3 years**	**35%**	**4.572%**	**1.5%**
3.7.2006	**10.700**	**3 years**	**35%**	**4.571%**	**1.5%**
4.10.2006	**11.628**	**3 years**	**35%**	**3.791%**	**1.5%**
1.11.2006	**11.252**	**3 years**	**35%**	**3.692%**	**1.5%**
3.11.2006	**11.480**	**3 years**	**35%**	**3.727%**	**1.5%**
8.11.2006	**12.200**	**3 years**	**35%**	**3.774%**	**1.5%**
4.12.2006	**10.952**	**3 years**	**35%**	**3.548%**	**1.5%**
13.12.2006	**10.560**	**3 years**	**35%**	**3.563%**	**1.5%**

50. Share Options *(continued)*

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

The weighted average closing price of the Company's shares on various dates of grant was HK$9.71 (2006: HK$13.00) per option.

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

The Group recognised a total expense of HK$16,155,000 for the year ended December 31, 2007 (2006: HK$7,091,000) in relation to share options granted by the Company.

The fair values of the share options granted in the current year measured as at various dates of grant ranged from HK$1.56 to HK$2.61 (2006: ranged from HK$2.46 to HK$4.72) per option. The weighted average fair value of the share options granted in the current year was HK$2.41 (2006: HK$3.03) per option.

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

51. Capital Commitments

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital expenditure in respect of the purchase of property, plant and equipment and licence:				
Contracted for but not provided	**320,180**	516,648	**19,974**	22,446
Authorised but not contracted for	**71,165**	103,443	**—**	—

52. Related Party Transactions

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

	2007 HK$'000	2006 HK$'000
Management fee income	**470**	464
Management fee expenses	**743**	420
Interest income received	**10,163**	9,911
Sales income	**352**	91,308
Equipment charge income	**2,166**	2,166
Royalty income	**—**	46,800

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

	2007 HK$'000	2006 HK$'000
Short-term benefits	**134,659**	122,314
Post-employment benefits	**1,357**	2,510
Termination benefits	**1,137**	6,240
Share-based payments	**7,395**	5,976
	144,548	137,040

Details of the balances with related parties are set out in the consolidated balance sheet, balance sheet and Note 22.

53. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2007 and December 31, 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
AEG Electric Tools GmbH (formerly known as A&M Electric Tools GmbH)	Germany	€20,451,675	—	100	Trading and manufacture of power equipment products
Baja, Inc.*	USA	US$7,391,000	—	75	Trading of outdoor power equipment products
Digiwireless Limited	Hong Kong	HK$2	100	—	Investment holding
DreBo Werkzeugfabrik GmbH	Germany	€1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Asia (Dongguan) Company Limited	The PRC	US$2,100,000	—	100	Manufacture of outdoor power equipment products
Homelite Asia Ltd.	The British Virgin Islands ("BVI")	US$1	—	100	Investment holding
Homelite Consumer Products, Inc.	USA	US$10	—	100	Trading of outdoor power equipment products
Homelite Far East Company Limited	Hong Kong	HK$2	100	—	Trading of outdoor power equipment products
Homelite Technologies Ltd.	Bermuda	US$12,000	100	—	Investment holding
Hoover, Inc*	USA	US$70,000,000	—	100	Trading and manufacture of floor care products
MacEwen Property Co. Inc.	USA	US$100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK$100,000	100	—	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	USA	US$50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	USA	US$10	—	100	Investment holding
OWT France SAS	France	€1,750,000	—	100	Investment holding
OWT Industries, Inc.	USA	US$10	—	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	€2,050,000	100	—	Trading of household electronic and electrical products
Royal Appliance Mfg. Co.	USA	US$1	—	100	Trading and manufacture of floor care products

53. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Ryobi Technologies GmbH	Germany	€500,000	100	—	Trading of electric power equipment products
Ryobi Technologies S.A.S.	France	€14,919,832	—	100	Trading of electric power equipment products
Ryobi Technologies (UK) Limited	The United Kingdom	£4,000,000	—	100	Trading of electric power equipment products
Sang Tech Industries Limited	Hong Kong	HK$1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK$2,000,000	75.725	—	Manufacture of electronic products
Startel Tools and Electronics Company (Pty) Ltd*	South Africa	ZAR100	60	—	Trading of electric power equipment products
Techpower Engineering Company Limited	Hong Kong	HK$2	100	—	Manufacture of components
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK$2	—	100	Trading and manufacture of floor care products
Techtronic Appliances International Ltd.	BVI	US$1	—	100	Investment holding
Techtronic Industries Australia Pty. Ltd.	Australia	A$5,500,000	100	—	Trading of electric power equipment products
Techtronic Industries (Dongguan) Co. Ltd.	The PRC	US$12,500,000	—	100	Manufacture of power equipment products
Techtronic Industries N.Z. Ltd.	New Zealand	NZ$1,165,500	100	—	Trading of electric power equipment products
Techtronic Industries North America, Inc.	USA	US$10	98.4	1.6	Investment holding
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NT$5,000,000	100	—	Provision of inspection services
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$2	100	—	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	A$1,200,008	100	—	Assembly and distribution of floor care products
Vax Limited	The United Kingdom	£33,000	100	—	Assembly, procurement and distribution of floor care products

53. Particulars of Principal Subsidiaries *(continued)*

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

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

* Subsidiaries which were acquired during 2007.

54. Particulars of Associates

Particulars of the associates as at December 31, 2007 and December 31, 2006 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Principal activities
Gimelli International (Holdings) Limited	The Cayman Islands	US$6,250	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	US$12,000,000	25	Manufacture of power equipment products

55. Presentation and Functional Currencies

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

Financial Summary

Results

	Year ended December 31,				
	2003 HK$'000	2004 HK$'000 (As restated)	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Turnover	13,182,808	16,304,140	22,358,387	21,822,597	**24,774,987**
Profit before restructuring costs, other restructuring and transition costs, share of results of associates and taxation	769,228	1,076,344	1,223,344	1,263,981	**912,460**
Restructuring costs	—	—	—	—	**(668,481)**
Other restructuring and transition costs	—	—	—	—	**(74,537)**
Share of results of associates	(987)	(845)	(6,463)	(895)	**(270)**
Profit before taxation	768,241	1,075,499	1,216,881	1,263,086	**169,172**
Taxation	(66,811)	(108,829)	(157,714)	(184,017)	**(38,999)**
Profit for the year	701,430	966,670	1,059,167	1,079,069	**130,173**
Attributable to:					
Equity holders of the parent	673,973	926,356	1,018,984	1,071,864	**125,257**
Minority interests	27,457	40,314	40,183	7,205	**4,916**
Profit for the year	701,430	966,670	1,059,167	1,079,069	**130,173**
Basic earnings per share	51.56 cents	69.28 cents	73.53 cents	73.18 cents	**8.41 cents**

Assets and Liabilities

	At December 31,				
	2003 HK$'000	2004 HK$'000 (As restated)	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Total assets	9,646,268	13,903,324	20,374,741	21,320,301	**24,969,446**
Total liabilities	7,087,010	10,367,476	14,141,732	14,242,326	**17,958,018**
	2,559,258	3,535,848	6,233,009	7,077,975	**7,011,428**
Equity attributable to equity holders of the parent	2,512,884	3,453,816	6,112,339	6,996,530	**6,920,125**
Minority interests	46,374	82,032	120,670	81,445	**91,303**
	2,559,258	3,535,848	6,233,009	7,077,975	**7,011,428**

Corporate Information

Board of Directors

Group Executive Directors
Mr Horst Julius Pudwill
Chairman

Dr Roy Chi Ping Chung JP
Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

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

Non-executive Director
Mr Vincent Ting Kau Cheung

Independent Non-executive Directors
Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

Financial Calendar 2008

April 16:	Announcement of 2007 annual results
May 27:	Last day to register for 2007 final dividend
May 28-30:	Book closure period
May 30:	Annual General Meeting
June 30:	Six months interim period end
July 31:	Final dividend payment
December 31:	Financial year end

Investor Relations Contact

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388 Castle Peak Road
Tsuen Wan, N.T.
Hong Kong
email: ir@tti.com.hk

Website

www.ttigroup.com
Earnings results, annual/interim reports are available online.

List Information

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

Share Registrar and Transfer Office

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

ADR Depositary

The Bank of New York

Principal Bankers

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

Solicitors

Vincent T K Cheung Yap & Co

Auditors

Deloitte Touche Tohmatsu

Qualified Accountant

Mr Frank Chi Chung Chan

Company Secretary

Mr Frank Chi Chung Chan

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